

**Seeking a Theoretical Explanation of Governance in Not-for-Profit  
Sporting Organisations**

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## **Declaration of Originality**

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## **Abstract**

The main aim of this thesis is to explore what members of volunteer sporting organisations understand as governance for their organisations and how and why they implement particular governance structures and to use the findings to begin the development of a theoretical explanation of governance in these organisations. Voluntary sporting organisations in Australia have undergone significant change in the emphasis placed on governance structures (historically the sole domain of volunteers). Demands placed on the sector to become more “accountable” by incorporating and adopting business practices has led to a need to employ professional staff such as general managers, and to a need to seek business skills in the volunteer board members. The changes required in governance and in the behaviour of the volunteers have resulted in governance structures that have received little research attention and therefore lack a cohesive theoretical explanation.

In order to understand the “what, how and why”, an in-depth qualitative analysis using a grounded theory approach of four different Tasmanian voluntary sporting organisations was undertaken. Grounded theory is particularly useful in an area that lacks both theory development and incorporates terms such as “governance” and “effectiveness” derived from social constructs. It enables the data to be examined and theories to emerge from the data without trying to force the data to fit the literature. In this way unique features of the sector that were previously ignored or not given prominence may be identified. This was the case: the theme of volunteer management (labelled human resource management) should be recognised as a theme, not a sub-

category of board operations and stewardship theory offered the strongest explanations for the findings.

With the understanding that volunteers and their management was a central theme came the understanding of the high level of communication needed to maintain strong relationships linked to a high level of informality in governance processes. The pivotal role of a general manager (or board member) in this communication process through bridging an accountability gap by linking the volunteers (not-for-profit culture with utility derived from the sport) with the legal requirements and expectations (derived from the for-profit culture with a control and external reporting focus) enables the sporting organisation to remain autonomous. It is able to continue to fulfil its legal requirements and retain its incorporated status while being able to continue to run the sport at its particular level of the organisation without interference from higher levels of the organisation. This emerging theory explained how and why the sporting organisations interviewed in this research governed their sport, and identified that with the reliance on volunteers there should be explicit acknowledgement of their role within any theory development along with an understanding of the difference in the concept of accountability and what that entails. Volunteers and their strong stewardship role in governance had not been fully recognised in previous governance studies.

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# **Chapter 1**

## **Introduction**

### **1.1 Introduction**

The recent heightened interest in corporate governance structure and practice has emanated from the for-profit sector after perceived threats to the capital market through a number of large company collapses. The resulting research led many countries, international groups and financial markets to issue guidance statements and recommendations on corporate governance (such as the Cadbury Report, 1992; Bosch Report, 1995; Hilmer Report, 1998; Higgs Report, 2003; OECD, 2004; ASX Corporate Governance Council, 2010; Business Round Table, 2010).

The relevance of such corporate governance research and recommendations for the not-for-profit sector is unclear. Corporate governance research in the for-profit sector focuses on the efficient market (Shleifer & Vishny, 1997) with agency theory supporting the requirement for independence of board members and a high level of accountability. There is little research in relation to the applicability of this to the not-for-profit sector.

Although there is little research exploring the theoretical underpinnings of agency theory to governance in the not-for-profit sector, there is recognition that there is a problem with the argument by some researchers that not-for-profits are being pressured to follow their for-profit counterparts (Hodge & Piccolo, 2005; Taylor, 2005) resulting in dysfunctional behaviour (Alexander & Weiner, 1998). Other researchers have recognised that a greater understanding of governance in practice in the not-for-profit sector is needed before the literature can progress. Surprisingly little

research has been carried out in the not-for-profit sector in examining its underpinnings of governance to establish whether the for-profit research is applicable and relevant.

Volunteers are vital to the survival of not-for-profit organisations. The role of volunteers in governance in the for-profit sector is, understandably, not a significant part of the corporate governance literature, yet it is an integral component of not-for-profit organisations. The lack of literature of the importance of volunteers in such an environment, often reflected in the difficulty in retaining volunteers (Leonard, Onyx, & Hayward-Brown, 2004) highlights the overall lack of specific literature on not-for-profit governance.

## **1.2 Background to Research**

Although there has been much research conducted on governance in the for-profit sector, the impact on those organisations from taking up the resulting recommendations has been mixed. Some researchers have identified that there were benefits from overall corporate governance structuring (Henry, 2008), but many others found very little evidence that better corporate governance practices created value (Brown, Beekes, & Verhoeven, 2011). Yet without the substance of good governance being fully understood, a strong focus on governance has flowed through to be a requirement for all organisations including not-for-profit organisations.

The limited not-for-profit governance literature adopted the focus of the early for-profit literature in focusing on the board of the organisation as the propagator of governance (Hillman, Canella Jr, & Harris, 2002; Fishel, 2003) and has not integrated

the changes that have taken place in the for-profit literature. These changes have shifted the focus from the board alone to a more inclusive view of governance incorporating the relationships between the participants (OECD, 2004, p. 13).

Two models of governance that focused on the board in not-for-profits have been explicated in texts with authors using their experience of the sector to derive the models. The older, traditional model identified the complex relationship between the executive and volunteers and recognised the critical role of volunteers (Houle, 1960). This traditional model remains the most dominant model used in not-for-profit sporting organisations (Hoye, Smith, Nicholson, Stewart, & Westerbeek, 2009). The newer model named after its author, Carver (1990), is more closely aligned to the for-profit corporate governance model with a high reliance on strategy and processes and has clearly defined the relationships between the executive and the board. In this model volunteers are treated no differently from paid staff. Although the Australian government through the Australian Sports Commission has promoted Carver's model as best practice (Australian Sports Commission, 2007), Hoye (2002c) found that volunteer sport organisations in Victoria were not following this model. This highlights the need for further research to understand the difference between actual practice and pronouncements of best practice (Hoye & Cuskelly, 2003) and the particular nuances of not-for-profit sporting organisations which may impact on the adoption of any governance model.

Despite the perceived need for change in not-for-profit governance, many not-for-profit organisations have been very successful over many years. This suggests that this perceived need for change may not be justified with very little research

undertaken into the processes of governance used by these organisations (Pettigrew, 1992; Roberts, McNulty, & Stiles, 2005). In Australia examples of successful not-for-profit organisations abound in various sectors, including the sporting sector where these organisations continue to grow.

Non-professional sporting organisations are usually not-for-profit in nature as the utility for the members is not based on profit because the sport is produced and consumed by its participants (Enjolras, 2002). In Australia not-for-profit volunteer sporting organisations have traditionally been member-based and member-governed, operated for the members and by the members under a delegate (federal) system (Shilbury, 1993). One distinguishing feature of this model is that representation is evident at every level of the organisation. At a national level there are representatives from each state, which is made up of representatives from the regions (or associations), which in turn is made up of representatives from the clubs. In this way the sport culture and member focus is nurtured throughout the organisation.

This delegate system with representation from members with a strong sport culture lacks the business focus that dominates the governance structures in the for-profit sector (Taylor & McGraw, 2006). However a business focus has been infiltrating volunteer sporting organisations as they are required to raise the level of professionalisation in the administration of their sector including the addition of paid professional staff working alongside the volunteers (Corlett, 1997) and the delegate model being replaced by a unitary structure in some organisations. The Australian government encouraged this path by only recognising incorporated bodies and only providing funds for those sporting bodies which took steps to increase governance and

accountability. In many organisations the increase in professionalisation in the volunteer sporting sector created conflict between volunteers and paid staff (Auld & Godbey, 1998). Resolution of this conflict in the governance setting of the organisation has received little attention from researchers (Hoye & Cuskelly, 2003).

### **1.3 Research Problem and Objectives**

As already noted, the for-profit sector's behaviour is reflected in the corporate governance literature through the predominant reliance on agency theory with a view to assisting an efficient capital market with increased transparency. This is not an easy match in the not-for-profit sector with many organisations having difficulty with the focus not aligning with their organisation's objectives. Australian not-for-profit volunteer sporting organisations are member-based and historically governed by members. This delegate system is threatened by the legal obligations that have to be addressed (with every sport entity, from national level down to club level, required to be an incorporated body to be recognised by the Australian Sports Commission) and increasing professionalisation of the sector. Under the delegate system with full representation of members, the typical qualification required of board directors is predominantly sport experience, which is not enough to address the legal requirements of accountability, and the reason why many independent reviews of national sporting organisations have recommended independent business skills-based boards. Arguably the mission of not-for-profits should be the driver for accountability with the critical accountability for sporting organisations being the provision of their sport with boards chosen for high level sports skills rather than business skills.

As it is not known how not-for-profit organisations are practicing appropriate governance especially through the use of volunteers and their role in management, and how they are addressing accountability, an essential first step is to understand what they consider constitutes appropriate governance before moving into any theory development. Hence the research problem to be investigated in this thesis is to explore what members of volunteer sporting organisations understand as governance for their organisations and how and why they implement particular governance structures, which should explicate any relationships between professional staff and volunteers and the management of volunteers. The objective from this is to develop a foundation for a theoretical explanation of governance in the sector as a basis for future research.

#### **1.4 Justification for the Research**

The for-profit literature recognised that the complexity of organisations and the breadth of corporate governance prevented a unifying theory of governance being developed (Tricker, 1997; Brown, 2005) without a greater and more holistic understanding of how governance was operationalised. This followed with many calls for in-depth research to understand governance in the not-for-profit sector (Taylor, Chait, & Holland, 1991; Herman & Renz, 1998; 1999; Heracleous, 2001; Pye & Camm, 2003; 2004; Brown, 2005; Roberts et al., 2005).

Within the not-for-profit sector, scant research on governance has been undertaken on membership based voluntary sporting organisations (Slack, 1985; Hoye, 2003; Hoye & Cuskelly, 2003; Doherty, 2006; Taylor & McGraw, 2006). These organisations are in a difficult situation in having to comply with legal requirements and with pressure to move to a business model of governance imposed on them by government (through



the Australian Sports Commission) without understanding that corporate governance has been designed in and for the for-profit sector. Implementing good governance has become more complicated with the demands of formal accountability included in the legal obligations of an incorporated body. Understanding the impact on governance of the above, integrated with the unique aspects of the sector, would provide information to assist in developing theories explaining governance in the sector. Such understanding would provide support for the sector when it has difficulty in trying to adopt aspects of the for-profit governance recommendations while identifying the most optimal governance practices for the sector.

Given that volunteer sporting organisations have been successfully operating for many years (some over 100 years), an exploration of what they consider as appropriate governance and how they operationalise it may assist other organisations. The move to incorporate *all* sporting entities with the requirement for a legal document (constitution) to be developed is an added complexity. Gray, Bebbington and Collison (2006) have argued that there is a difference in accountability in the not-for-profit sector from that in the for-profit sector, therefore it is important to ascertain how sporting organisations are dealing with incorporation and accountability along with the professionalisation of their governance structures. This has not been explored in the volunteer sporting sector.

Much of the literature on governance in not-for-profits has been criticised for being prescriptive, for relying on personal experience, and using anecdotal evidence (Bradshaw, Murray, & Wolpin, 1992; Jackson & Holland, 1998; Cornforth, 2001). Although there has been a small increase in empirical research in not-for-profit

governance predominantly through the use of surveys, there has been very little interview or case study work undertaken. This lack of depth in understanding what, how and why organisations do things is reflected in the lack of theory development with a call by researchers for more holistic research and particularly more qualitative research to be conducted (Amis, Slack, & Berrett, 1995; Inglis, 1997b; Taylor & McGraw, 2006). This thesis is answering that call.

### **1.5 Method**

In order to begin to develop a theoretical explanation for governance in not-for-profit sporting organisations, what volunteer sporting organisations recognise as governance and how it is applied should be identified. As governance is a social construct it needs to be understood in context, hence a qualitative research design will be used using cases as part of a grounded theory approach. Findings will be generated from interviews, observations and documents obtained from this fieldwork (Patton, 2002).

With little in-depth knowledge of the differences in governance within the not-for-profit sector, corporate governance concepts used in for-profit businesses were normally applied in the questionnaires in previous research (Fishel, 2003). The results would therefore be limited in their application to not-for-profit specific situations. In contrast, this research uses in-depth semi-structured interview responses to elicit a more specific understanding of the sector.

Interviewees will be chosen from volunteer sporting organisations within Tasmania using theoretical sampling, a “distinctive characteristic” of grounded theory (Sotiriadou & Shilbury, 2010). Such an approach enables the development of

theoretical understanding in an area where there has been little applicable theory development to date. To ensure the data is reliable, comparing various results from personnel occupying different positions within the one organisation will triangulate the interview data. Interview data in each organisation will also be triangulated against archival data (the constitution and annual reports) to ascertain whether there is consistency in the information derived. Archival data reflect the input of many members of the organisation, which will provide additional checks for reliability of the interview data. Any differences will provide an avenue for further information gathering.

### **1.6 Outline of the Thesis**

This thesis consists of eight chapters, a reference section and 11 appendices. Chapter 2 will examine the concept of governance and review the literature. An overview of governance in the for-profit literature will explore the issues in the literature linking with governance for not-for-profits, specifically in respect of theoretical development, models of governance.

Literature in governance in not-for-profit volunteer sporting organisations will be explored in Chapter 3. In identifying the unique features of sporting organisations evident from the literature, further issues in respect of governance will be identified. Relationships, particularly those between the professional staff and volunteer members, have already been noted as a point of interest. The field of sport management dominates the research in the area of relationships with an emphasis on board effectiveness and this research will be explored to identify any theoretical

underpinnings, issues or gaps in the research undertaken to date with a specific focus on Australian research.

The governance structure of voluntary sporting organisations will be examined in Chapter 4. The historical delegate system that dominates the volunteer sporting sector's governance and the influence from government will be discussed in the context of the volunteer sporting sector as a whole. Several small case studies carried out by government and independent researchers exploring specific issues will be reviewed. Any problems identified in the literature will be noted along with any disparity between current practice and policy. This will lead into an explication of the main research question that will be addressed in the thesis, which is:

*What do members of volunteer sporting organisations understand as governance for their organisations and how and why are particular governance structures implemented?*

The main question will require exploring many other questions of each organisation, which are discussed in the Chapter (with the findings developed into theoretical explanations in Chapter 8).

The methods that will be used to answer the research question and achieve the research aims will be discussed in Chapter 5. The most appropriate method for answering the research question is the grounded theory approach and this will be justified and explained with the research design adopted explicated.

The data collection and analysis techniques will be described and justified in Chapter 6. Included in the explanation of the data collection will be the reason behind the cases chosen and how the data was obtained. The analysis section will carefully explain how a grounded theory approach was applied to the data and how data was analysed to obtain results. The results will be examined in Chapter 7 with themes derived from the cases identified. Themes will be initially identified through triangulation of data (interviews with personnel from various levels and archival data) from within the one organisation and these themes. The data from the other three organisations in the study will then be analysed to discover if the findings hold across all the sporting organisations in the study.

The final chapter, Chapter 8, will conclude the thesis by reflecting on the results to begin the development of a theoretical explanation. The aim is not to develop a well-tested and proven theory but rather a starting point for developing a formal theory or theories. The practical significance of the research and findings will be discussed and constraints from the research design and data will be addressed followed by an identification of opportunities for future research.

## **1.7 Summary**

This chapter introduced the research problem and objectives to be explored in this thesis and also briefly described the methods that will be employed in answering the research questions. Identifying what volunteer sporting organisations interpret as encapsulating governance and how and why it is applied, when analysed through a grounded theory approach, will enable the beginnings of a theoretical explanation to

be developed which will provide much needed theoretical support for future research in the area.

## Chapter 2

### Background to Governance and Not-for-Profit Organisations

#### 2.1 Introduction

After many corporate collapses in the 1980s and 1990s, good corporate governance has gained importance as an essential requirement of companies. The lack of accountability exhibited by failed companies was a critical factor identified by Bosch (1991) in Australia, closely followed by Cadbury (1992) in the UK. This led to the commissioning of reports on governance in Australia (such as the Bosch Report, 1995; Hilmer Report, 1998), the UK (such as the Turnbull Report, 1999; Higgs Report, 2003) and the US (such as the Business Round Table, 2010). From this, various recommendations on good governance were published including the Principles detailed by the OECD (2004), the ASX Corporate Governance Council's guidelines (2010) and the UK Corporate Governance Code (2010). The latter two have been updated several times with 2010 representing the latest iteration. Legislation has been enacted in an effort to ensure good governance with the US's *Sarbanes-Oxley Act* (2002) and the CLERP 9 (2004) reforms to the *Corporations Act* (2001) in Australia, yet it appears that there is still something lacking.

These recommendations and regulations do not appear to ensure good governance. In the findings from the Royal Commission into the failed insurance company, HIH, Honourable Justice Owen (2003), expressed concern over the "tick the box" mentality that the phrase "corporate governance" had inspired in business. The Commissioner argued that once the governance structures were in place there was little regard to changes, with little or no follow up. As long as the company had the recommended corporate governance structure consisting, among other things, of an audit,

remuneration and nomination committees as well as independent members on the board of directors (as proposed by the various reports) then having become compliant the company became complacent. Appropriate corporate governance structures were not incorporated within the long-term strategy of the firm.

Attempting to rate “good governance” was also questioned by Van den Berghe and Levrau (2003) as they noted there was an inconclusive link between corporate governance and performance with many studies viewing corporate governance issues very narrowly “from a box ticking perspective rather than by taking real corporate governance behaviour into consideration” (Van den Berghe & Levrau, 2003, p. 72). Any attempt by researchers to identify “good” governance within any type of rating scale was forcing a “one size fits all” approach to assessing and measuring corporate governance, yet “good” governance was a relative concept with different challenges for each organisation requiring different governance mechanisms. Further, identifying the governance practiced by the organisation was difficult as boards could obtain a “tick in the governance box” without actually implementing “best practice” (Pye & Camm, 2003, p. 60).

This “tick the box” mentality was exemplified in Australia in the WHK-Horwath Report (Psaros & Seamer, 2009) which provided an annual report (from 2002<sup>1</sup>) on whether the top 250 ASX listed companies complied with a predetermined list of best practice of corporate governance structures. Those that were awarded five stars (the top rating) received free media attention. The 2008 Report noted that none of the largest 50 companies by market capitalisation were amongst the top performers.

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<sup>1</sup> There was no Report written in 2007 due to a change in contracts, but the 2008 Report included comparison data to encapsulate the 2007 Report’s data. The 2009 Report is the latest published Report.



Examining the annual WHK-Horwath Reports revealed that underperforming companies (in terms of compliance with best practice) were increasing over the years, so even this “tick the box” exposé did not appear to be taken seriously by all companies.

There is some research suggesting “ticking the boxes” is beneficial, but the context of the findings needs to be carefully considered. Henry’s (2008) research found benefits from *overall* corporate governance structuring (“ticking the box”). Henry was “ticking the box” to check whether the company was complying with ASX code of best practice, however the longitudinal data were chosen to cover the period before the ASX released its first code of best practice. His finding, therefore, that “ticking the boxes” had value, needs to be understood in a context different from those companies in the WHK-Horwath Reports. Henry’s companies had no explicit guidance on governance, so were not complying with any practices. Only the governance structure was found to be important with the impact from disclosure in governance practice or compliance remaining unclear. In a recent review of the literature, Brown, Beekes and Verhoeven (2011) found that at best there was only “weak support” that better corporate governance practices created value. Apparently the substance of good governance is not fully understood, yet the intense focus on its form has encouraged stakeholders to demand that all organisations seriously reflect on their governance, even in not-for-profit organisations (Hodge & Piccolo, 2005; Taylor, 2005).

In an effort to ensure that management acts in the shareholders’ best interests (as noted from the recommendations and legislation focussing on listed public companies), corporate governance developed with an emphasis on an efficient market

with a strong focus on the corporate board. This is not a natural match for not-for-profit organisations, however not-for-profit organisations have been encouraged to follow their corporate, profitable counterparts in adopting similar strategies and processes to become more accountable (Hodge & Piccolo, 2005; Taylor, 2005). At the same time, profitable companies have been encouraged to consider other stakeholders and not merely focus on shareholders especially in the area of corporate social performance (Speckbacher, 2003; Van den Berghe & Levrau, 2003). So it would appear that not-for-profit organisations might have something to offer their for-profit counterparts in this domain.

Although not-for-profit organisations are expected to become more accountable in following their profitable counterparts, therefore exceeding a certain level of accountability, the term accountability is ambiguous and not defined clearly within most of the governance literature. Gray, Owen and Adams' (1996, p. 38) definition is a useful starting point: "the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible". Exactly who is accountable, what is accounted for and to whom it is accountable depends on the circumstances and the stakeholders (Conroy, 2005). The mere use of the word may be perceived to be indicative of some further promise such as "bringing someone to justice, of generating desired performance through control and oversight...and of facilitating ethical behaviour" (Dubnick & Justice, 2004, p. 5). Yet this ambiguous term is central to good governance.

Accountability is particularly problematic for not-for-profit organisations as not only do they have to deal with multiple stakeholders, they lack a financially driven goal

and have missions that are often difficult to operationalise (Dawson & Dunn, 2006). Many not-for-profit organisations are successful ; however there has been very little research into the processes of governance used by these organisations (Pettigrew, 1992; Roberts et al., 2005) or how they embrace the concept of accountability.

Understanding how not-for-profit voluntary organisations successfully deal with multiple stakeholders has not been researched in any depth. To overcome such a problem, research within a natural setting with a rich data set retaining as much of its original meaning as possible with theory developed through an inductive process (Inglis, 1992) would be ideal. Such holistic, qualitative research is largely lacking in the literature (Amis et al., 1995). Qualitative research is an enquiry into the meaning of something rather than the quantity (Cooper & Schindler, 2003) and may prove particularly useful in understanding the implementation of governance in the not-for-profit sector. However it must first be determined whether “governance” has the same meaning in the for- profit and not-for-profit sectors.

## **2.2 Governance**

The term “corporate governance” was coined in the 1980s even though the practice is ancient (Tricker, 2000). Defined by Turnbull (1997, p. 181) corporate governance is “all the influences affecting the institutional processes, including those for appointing the controllers and/or regulators, involved in organizing (sic) the production and sale of goods and services.” This definition does not preclude unincorporated organisations, which appears to make the term “corporate” in “corporate governance” redundant. This is not always the case, with some authors identifying the “corporate”

element, such as the Cadbury Report (Cadbury, 2000, p. 8) defining the term as “the system by which *companies* are directed and controlled” (emphasis added).

Such a distinction has not been a stumbling block for researchers, with most using “governance” and “corporate governance” interchangeably. Yacuzzi (2005) explains that governance is a general concept with corporate governance as a subset. With other subsets being public and global governance, the defining feature of corporate governance is the narrower focus on the organisation. Whether that organisation is incorporated or not is not an issue.

A shift to a more inclusive view of governance rather than merely focusing on the board was deliberately pursued by Daily, Dalton and Cannella Jr (2003, p. 371) in their definition of governance: “the determination of the broad uses to which organizational (sic) resources will be deployed and the resolution of conflicts among the myriad of participants in organizations (sic)”. They identified that such a definition was contrary to the vast prior research in governance with its focus on the relationship between the executive and shareholders.

That relationship was central in the emphasis the OECD, ASX and Cadbury Reports placed on corporate governance in the belief that it provided confidence to the market economy, being linked to the determination of the cost of capital in the global market. Similarly Shleifer and Vishny (1997) defined corporate governance as the way in which suppliers of finance assured themselves of getting a return on their investment. The underpinning theory to such a definition was agency theory, with appropriate governance an important element in the optimisation of the share price. Such an

emphasis on the capital market would appear to be inappropriate for not-for-profit organisations, although a major sponsor for a not-for-profit sporting organisation may desire a similar level of accountability in the transparent use of resources.

Governance was quite broadly defined in the for-profit company context by the Cadbury Report (2000) and followed by the ASX (2003) when looking at the whole *system* for control (or management) and direction. This “system” encompassed legal regulations, shareholder meetings and public opinion. Legal regulations and public opinion were constantly changing, and hence the “system” was in a constant state of flux. The latest ASX Report (2010, p. 3) expanded its definition to “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations”, subsuming “system” within the “framework”. The OECD Report (2004, p. 11) specified a more encompassing definition; “Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders”. Through specifying relationships the OECD emphasised their importance, shifting the emphasis away from the board alone. The report then added a similar view of corporate governance to the ASX (2003) and Cadbury Report (2000): “corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined” (OECD, 2004, p. 11).

The view that governance involves a set of relationships would appear to be particularly relevant to not-for-profit organisations. Monitoring performance would be more difficult to incorporate as performance is difficult to define in such organisations. Exploring how governance is defined in context within the not-for-

profit sector will be explored in this thesis.

The agency theory perspective is evident with much of the corporate governance research focussed on the board with the assumption that each is acting in their own self-interest, with most good governance principles focussing on control by incorporating a requirement for “independent” directors, separation of CEO and Chair of the board, and the inclusion of audit and remuneration committees (Hillman et al., 2002). A missing key aspect is the influence of stakeholders and accountability to them. If governance depends on stakeholder consent (Gomez & Korine, 2005) then stakeholders should not be ignored. However the definition of governance in the not-for-profit context by Fishel (2003, p. 5) as “the arrangements for overall control and direction of the organisation, normally in the form of authority conferred by the membership (or key stakeholders) on a board or committee” follows the original narrowly construed for-profit focus on the board.

With no agreed definition for corporate governance it is hardly surprising that defining what encapsulates good governance has proven difficult. As already discussed in the previous section accountability is not clearly defined, yet is a central element: “good corporate governance depends crucially on adequate provision of information from the board to the shareholders” (Michie & Oughton, 2005, p. 519). What is considered “adequate” and what is encapsulated in “information” will vary depending on the legal regulations and societal expectations reflected by the constantly changing system of control and direction perceived as “governance”.

If accountability is defined by Gray, Owen and Adams' (1996, p. 38) as: "the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible", it may be viewed that it is promising to "facilitate ethical behaviour" (Dubnick & Justice, 2004, p. 5). However if accountability is interpreted as "the management of expectations" (Dubnick & Justice, 2004, p. 4), and with accountability central to governance, it is understandable that some may argue that the appearance of governance might be preferable to the real thing (Monks, 2002). The "illusion of good corporate governance" was argued by Grant (2003, p. 926) to have arisen out of the US stock market crash of 1929 with the SEC introducing many requirements on companies to protect investors, and that this prevailed until the stock market crash of 2001. The crash of 2001 in the US led to the *Sarbanes-Oxley Act* of 2002 to protect investors and again bolster an illusion of good governance, with no real change in governance practices. Grant (2003) argued that the only real change would arise on an individual level when directors acted more "ethically". Yet Dubnick and Justice (2004, p. 5) held that "facilitating ethical behaviour" was implicit in the term accountability.

The commonly accepted interpretation (as stated in the Oxford English Dictionary) of accountability is "(t)he quality of being accountable; liability to account for and answer for one's conduct, performance of duties, etc. (in modern use often with regard to parliamentary, corporate, or financial liability to the public, shareholders, etc.); responsibility." This accentuates the ethical dimension that is commonly understood in the term (similar to Gray, Owen and Adams' (1996) definition) and subsequently overlooked in the governance definitions which have a control focus rather than

facilitating ethical behaviour through incorporating a fuller interpretation of accountability.

This lack of an agreed definition of corporate governance is reflected in a lack of an accepted theoretical base, which could be used to understand what underlies and drives behaviour and appropriate corporate governance (Pettigrew, 1992). The multi-disciplinary nature of corporate governance, with each discipline (from micro-economics and accounting, to sociology and politics) having different views (from the economic view of the firm based on markets and hierarchy to the sociological emphasis on institutional processes) (Turnbull, 1997), along with the huge breadth that governance encompasses (Brown et al., 2011), exacerbates this problem.

## **2.3 Theories Behind Governance**

Although agency theory has been the dominant paradigm underlying corporate governance research (Davis, Schoorman, & Donaldson, 1997; Hendry, 2005; Roberts et al., 2005; Puyvelde, Caers, Bois, & Jegers, 2011), this theory has been unable to explain why some governance structures and processes are more appropriate for some organisations than others. Tricker (2000) notes that the most exciting recent research surrounds the debate between agency theorists and alternative theorists.

### **2.3.1 Agency Theory**

Governance is an issue whenever ownership and management of an organisation are separated (Tricker, 2000). Taking a financial structure perspective, agency theory with the owners (shareholders) as principals contracting management (led by the CEO) as agents to act on their behalf (Jensen & Meckling, 1976), is argued as a major reason



for independent boards to exist. The boards ensure that the agents act in the best interests of the owners (Schleifer & Vishny, 1997; Bird, 2001; Sloan, 2001). As corporate governance is focused on the board, and its existence can be explained by agency theory, then agency theory can also be considered as the foundation for corporate governance (Grant, 2003). This focus on the board through an agency theory perspective has been argued to be “the dominant, but flawed US governance model”, “implicitly accepted as the given ‘state of the world’” (Turnbull, 1997, pp. 186, 188).

A slightly different approach to the history of corporate governance led Hawley and Williams (1997) to venture that corporations initially grew from entrepreneurial capitalism, replaced by “managerial” capitalism after World War II (which underpinned Jensen and Meckling’s (1976) principle-agent problem). Hawley and Williams questioned the attention on corporate governance as although the finance view held that good governance increased corporate performance, research had not found the relationship sustainable. Even though research held that recommendations such as separation of the CEO and the chair of the board increased an entity’s performance, “everyone involved understands that performance *not* governance is the real concern” (Hawley & Williams, 1997, p. 208).

History supports agency theory as the main driver behind the majority of the research in corporate governance (Schleifer & Vishny, 1997; Bushman & Smith, 2001) reflecting the dominance of the US-based governance literature (Turnbull, 1997). The popularity of agency theory was reflected in Bushman and Smith’s (2001) finding that the greatest amount of published research in accounting on corporate governance

related to financial accounting information's role in management incentive contracts. Schleifer and Vishny (1997) identified that most corporate governance mechanisms reflected this investor/shareholder focus as they were created for their directors' legal protection. This protection is very strong in Australia with the *Corporations Act* (2001) and general law placing liability on directors for not fulfilling their duties, whether they are honorary or paid directors ("Commonwealth of Australia v Friedrich & Ors," 1991).

Although it is well recognised that agency theory dominates the literature on corporate governance, many researchers question its ability to explain board effectiveness. Roberts, McNulty, and Stiles (2005) understood that the use of agency theory or any other theory, was inadequate at explaining the real experiences on the board. Instead they argued that accountability was the key to understanding how boards operated effectively. Roberts et al. (2005, p. S11) surmised that board structure and composition, although easy to identify and visible to all, had little to do with effectiveness.

*Actual board effectiveness depends on the behavioural dynamics of a board, and how the web of interpersonal and group relationships between executive and non-executives is developed in a particular company context.*

Rather than the non-executive director having to focus on the control role at the expense of the strategic role as suggested by agency theory, Roberts et al. found in their interviews of company directors that the two roles were inseparable and without tension. The non-executive's role was in creating accountability, beyond the narrow view of monitoring and control, and included behaviours such as "challenging, questioning, probing, discussing, testing, informing, debating, exploring,

encouraging” (Roberts et al., 2005, p. S6). A central implication of their research was the need for qualitative primary research, particularly on the dynamics of governance relationships.

In a response to Roberts et al.’s (2005) paper, Hendry (2005, p. S 61) was reluctant to drop agency theory and instead suggested broadening the theory by adding the dimension of “problems of honest incompetence” to the problems of self-seeking behaviour in agents. However Hendry acknowledged that understanding accountability was essential to further the research.

Huse (2005) continued the argument that agency theory supplemented other theories to explain board processes and dynamics and that accountability encompassed board role expectations. Huse argued that to create accountability, which he developed into a framework, board behaviour needed to be understood with all of its interactions, suggesting a need for case study research to give added depth.

The questioning of agency theory as the driver for corporate governance was continued by Aguilera (2005, p. S41) who did not believe that all individuals were “utility maximisers, self seeking and opportunistic”. She held that it was unrealistic to believe that all agents had the same interests, as some principals and agents may have stewardship interests and each one would act differently depending on their cognitive maps. Pursuing this argument, Pye and Pettigrew (2005) were critical of agency theory and its dominant position in governance research when little was known about board processes, especially group processes. They also recognised that board behaviour should be viewed with regard to context and time as a holistic complement

of factors. Pettigrew had been calling for research on group processes and for an understanding of relational dynamics in the boardroom since his 1992 paper where he was trying to “redress the overwhelming prescriptive bias in the literature, and begin to provide some basic descriptive findings” (Pettigrew, 1992, p. 178).

Shen (2005) followed Roberts et al. (2005) in recognising that behavioural dynamics were critical in influencing board effectiveness. However Shen did not believe that agency theory could so easily be dismissed as there were “strong social pressures on the non-executives not to pursue governance reforms or to challenge management decisions” (Shen, 2005, p. S83).

Similar to Shen, Daily and Dalton (2005) were not willing to give up on agency theory altogether. They felt that greater independence in the boardroom was warranted even though they could find no evidence of any systematic governance indicators that were associated with increased financial performance. They noted that “often the perception of effective governance is in place is as important as the reality of corporate governance effectiveness” (Daily & Dalton, 2005, p. S93). However they did concede, “ultimately, a board and its effectiveness are defined by the integrity and character of board members” (Daily & Dalton, 2005, p. S96).

The acceptance by Daily and Dalton and others (Roberts et al., 2005; Shen, 2005) that board effectiveness is defined by the individuals on the board and not the governance structures further the argument for ethics being central to board governance.

Explaining individual behaviour through other theories such as stewardship theory as Aguilera (2005) suggested would also emphasise the ethical accountability dimension.

Gomez and Korine (2005) noted a recent shift in corporate governance structures to focus on accountability and this has been reflected in an explicit recognition of its importance by other researchers (Hendry, 2005; Huse, 2005; Roberts et al., 2005). To understand this further researchers have requested descriptive, in-depth research (Huse, 2005; Pye & Pettigrew, 2005).

Agency theory may not be the most relevant theory for not-for-profits with Dawson and Dunn (2006) recognising that the application of agency theory may distort the culture and governance of not-for-profit organisations and may distract from their individual missions. The current recommendations for corporate governance, having arisen through agency theory, may not be optimal for not-for-profits. Although principal-agency issues may arise in not-for-profit organisations, regulations in Australia such as the *Corporations Act* (2001) or the different State's *Cooperatives and Associations Acts* which reflect the shareholder approach focusing on accountability, efficiency and wealth maximisation, may not be appropriate in determining good governance. With regulations not differentiating between for-profits and not-for-profits, the compliance pressures force the not-for-profits to mimic the for-profit sector, and to use a value set (with an emphasis on wealth creation) that is at odds to their mission (Steane, 2001).

The problems that arise for not-for-profits from having to follow corporate pronouncements was reflected in Michie and Ramalingham's (1999) research on football clubs in the UK. These clubs had a company structure yet the agency reason for the board acting on behalf of the shareholders was at odds with acting in the interests of the local football supporters. With this there was the potential that clubs

would become overcommercialised instead of being run in the interests of the supporters.

In reviewing the history of governance in not-for-profit organisations, Houle (1960), provided a different perspective. Boards were created because of increasing complexity of city life and governments were unable to govern everything, so special boards were developed for public goods such as libraries, schools, health and museums. Although voluntary organisations originated under a purely democratic system (where everyone was involved in decision making), organisations that were able to delegate responsibility and create boards for the control and assistance of the organisation were the ones that thrived. The board was invaluable in providing an avenue for collective wisdom, the ability to enable continuity of policies, as well as the ability to develop supportive relationships with the community. This perspective lacked the finance emphasis which was the foundation for much of the corporate governance literature, and although agency theory had not been defined at that stage, it would not have been applicable to this context. Turnbull (1997) has since argued that in contexts where economic transactions are mediated by social or other networks, agency theory becomes less relevant. However Puyvelde et al. (2011) explained that agency theory could be applied to not-for-profit organisations if integrated with stewardship and stakeholder theory and if each relationship within the organisation was analysed using a different principal-agent perspective. The lack of an explicit contract between the volunteers was replaced with the psychological contract<sup>2</sup> each volunteer had with the organisation.

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<sup>2</sup> A psychological contract arises when an individual perceives that there are “mutual obligations between that person and another party such as an employer” (Rousseau & Tijoriwala, 1998, p. 679)

Agency theory as an explanation for governance structures derives in part from the historical growth of the for-profit companies. Many researchers have questioned its continued applicability even in the for-profit context with an understanding that the board is reliant on individuals with accountability and ethics central to governance. Agency theory has not been historically relevant in the not-for-profit context, yet the corporate governance structures used in the for-profit context, including the legal control mechanisms are being applied. The for-profit literature is only just beginning to recognise the importance of individuals on the board, whereas this should be a central tenet for not-for-profits. Many researchers have noted problems in not-for-profit organisations using for-profit governance structures (Michie & Ramalingham, 1999; Steane, 2001; Dawson & Dunn, 2006). Further research is required to determine what the not-for-profit organisations view as governance (whether it includes accountability and ethics through recognising the importance of individuals on the board) and what governance structures they are using and why they are using those structures.

### 2.3.2 Stewardship Theory

Many researchers view stewardship theory as an alternative to agency theory, with Turnbull (1997, p. 200) arguing that unless it was accepted that people may act as “both opportunistic self-serving agents and selfless stewards” the theory for corporate governance could not progress. Stewardship theory has been described as “relatively new” in the management literature with “its roots in psychology and sociology” in examining the motivations of executives as “stewards” (Davis et al., 1997, p. 24). Rejecting the agency assumptions of managers acting in their own self-interest (Roberts et al., 2005), stewardship theory predicts that managers will act in the best

interest of the organisation. As agency theory was derived from the finance perspective with an independent board to control management, alternative non-financial motives for management behaviour were ignored. It is these motives that are recognised in stewardship theory resulting in no need for an independent board (Muth & Donaldson, 1998). With the steward motivated to attain the objectives of the organisation, empowering governance structures and mechanisms would be utilised with any control mechanisms potentially counterproductive. Such control mechanisms such as separating the roles of CEO and the chair of the board of directors potentially lowers motivation and leads to high turnover (Davis et al., 1997).

The fiduciary duty of directors enshrined in Anglo company law (such as the *Corporations Act 2001*) is argued to be part of this stewardship role (Turnbull, 1997), highlighting the level of trust placed on directors. However in the accounting literature (which takes a financial perspective), the stewardship function is focussed on “reporting the use that corporate management has made of the resources entrusted to them” (Prince, 1964, p. 554) reinforcing the view that financial information is paramount with the stewardship function also used as a reason to maintain historical cost accounting (Gjesdal, 1981). To add to the confusion for accountants on understanding stewardship, the terms “stewardship” and “accountability” are often used interchangeably (Gjesdal, 1981).

With stewardship theory recognising non-financial motives for management behaviour (Muth & Donaldson, 1998), it should be a main underlying theory in not-for-profit organisations, yet Puyvelde et al. (2011) notes a lack of research in this area. Where management are acting as stewards, empowering rather than controlling



governance structures should be used (Davis et al., 1997). Acting in the best interests of the organisation (Roberts et al., 2005) takes on an ethical dimension with accountability taking on the same dimension. Further research in understanding what governance structures not-for-profit organisations are using would be helpful and is conducted in this thesis.

### 2.3.3 Resource Dependence Theory

An alternative viewpoint in understanding the governance of an organisation is exploring whether resources are an explanatory factor in determining governance structures. Resource dependence theory attempts to explain organisation survival as being reliant on its “ability to acquire and maintain resources” (Pfeffer & Salancik, 1978, p. 2), with this theory explaining individuals on the board of directors as resources for the organisation. Independent directors or those with particular skill sets are viewed as an important resource. Reflecting on the importance of resource dependence on for-profit companies, Dalton and Daily (1999) and Hillman, Canella Jr, and Harris (2002) found there was a need for local, high-quality knowledge, which was a direct trade-off with independence with outside directors forming a critical link to the external environment.

The understanding that the board itself and that the knowledge and experience of its members is a valuable resource is receiving more recognition in recent literature, though the researchers themselves do not always identify resource dependence theory in their analysis. Diverse boards (with a major focus on gender) have proven to lead to better performance enabling the sharing of different views and alleviating problems of collegiality and group think which could stifle boards (Burton, 1997; Burgess &

Tharenou, 2002; Singh & Vinnicombe, 2004). However Singh and Vinnicombe (2004) also noted that if it was not well managed then diversity may be detrimental: “delayed decision-making as well as lower identification with and commitment to the group” (2004, p. 481).

Many of the points discussed above in the for-profit literature such as questioning the amount of emphasis on independent directors and the actual resource provided by the directors are also integral to not-for-profits. Research on whether diversity, independence of directors or local knowledge is a part of the governance structures in not-for-profit organisations may provide a greater understanding of governance in that setting.

#### 2.3.4 Stakeholder Theory

Yet another perspective for corporate governance is stakeholder theory. Van den Berghe and Levrau (2003) held that as most corporate governance studies were based on OECD corporate governance principles reflecting the Anglo-American model (market-oriented or shareholder model), stakeholder theory was not applicable as it was based on a network-oriented (stakeholder) model, this meant it was not recognised in the literature on corporate governance. The Anglo-American model places a heavy reliance on rules and regulations in ensuring an efficient capital market where shareholders’ rights are carefully maintained through an assurance of arm’s length transactions and transparency (basically the result of the assumptions underlying agency theory). With stakeholder relationships (often with very close institutional relationships) and the integrity and behaviour of the people forming the

basis for efficient operations, the network-oriented model lacks such a high reliance on rules and regulations.

The narrow shareholder view of governance was criticised by Van den Berghe and Levrau (2003) and Pye and Camm (2003) with the recognition that the demands of society had changed and companies were now expected to balance the interests of all stakeholders. This meant that research on corporate governance also needed to be much broader, taking into account a broader view of the role of the firm which required a greater methodological emphasis in research on behavioural observation and in-depth interviews. Heracleous (2001) identified that the literature was unable to relate “best practices” to improved organisational performance and therefore argued that qualitative research with in-depth interviewing was necessary as it would increase the validity of the measurements of “best practice” through triangulation.

The not-for-profit sector provides a natural fit for a stakeholder perspective of the organisation. This is because not-for-profits gain strategic advantage from the trust and legitimacy aspects of governance expected from their stakeholders rather than being primarily interested in profit (Steane, 2001). However there has been a lack of research on the not-for-profit sector and stakeholders, particularly in Australia (Steane, 2001). This may be because stakeholder theory has only recently been a research topic in relation to not-for-profit organisations.

Stakeholder theory has been referred to as balancing the need to keep economically viable against the altruistic notion of “doing good” (Winn, 2001). This must be even

more of a problem for not-for-profits whose main purpose is to make a “social profit” (Bouckaert & Vandenhave, 1998) rather than a financial profit.

Not-for-profits are also unique in not being owned and controlled by those focussed on a return on investment. Instead they are often founded and controlled primarily by “demand-side stakeholders” who desire greater services for themselves or others (Ben-Ner & Van Hoomissen, 1991). Abzug and Webb (1999) built on this theoretical research to further theorise that not-for-profits are part of a complex network of stakeholder relationships with for-profits and government. This line of research was not entirely new as Rowley (1997) had already discussed stakeholder networks in 1997, though not specifically for not-for-profits. Rowley used social network analysis to explain that firms responded to the interaction between all stakeholders rather than just one stakeholder, hence knowledge of the relational system in which a firm was embedded was important to understand a firm’s behaviour and its ability to survive.

The stakeholder view of the firm was held to be the only logical framework for performance management for not-for-profits (Speckbacher, 2003). The main difference between profitable firms and not-for-profits was the ownership issue. Profitable firms had owners who required a profitable return on their investment; hence the goals for the firm were clearly defined and able to be measured through share prices and financial measures. Not-for-profits had no clear owners and served large constituencies with a mission, which was difficult to measure. However they were still expected to be accountable like their profitable counterparts.

The stakeholder approach for not-for-profits has been recognised as similar to that referred to in social accounting literature with Richmond, Mook, and Quarter (2003) using it to create two models. The community social return on investment model and the expanded value-added statement they created relied on ascribing values to resources as revenues, and to volunteer activities. In essence they were attempting to put dollar figures on all aspects of not-for-profit organisations. One aspect they were not able to capture was the value of not-for-profit organisation's synergies with the community and their relationships with other stakeholders. It is those very relationships that allow the not-for-profit to exist and such intangibles cannot be valued with dollar figures.

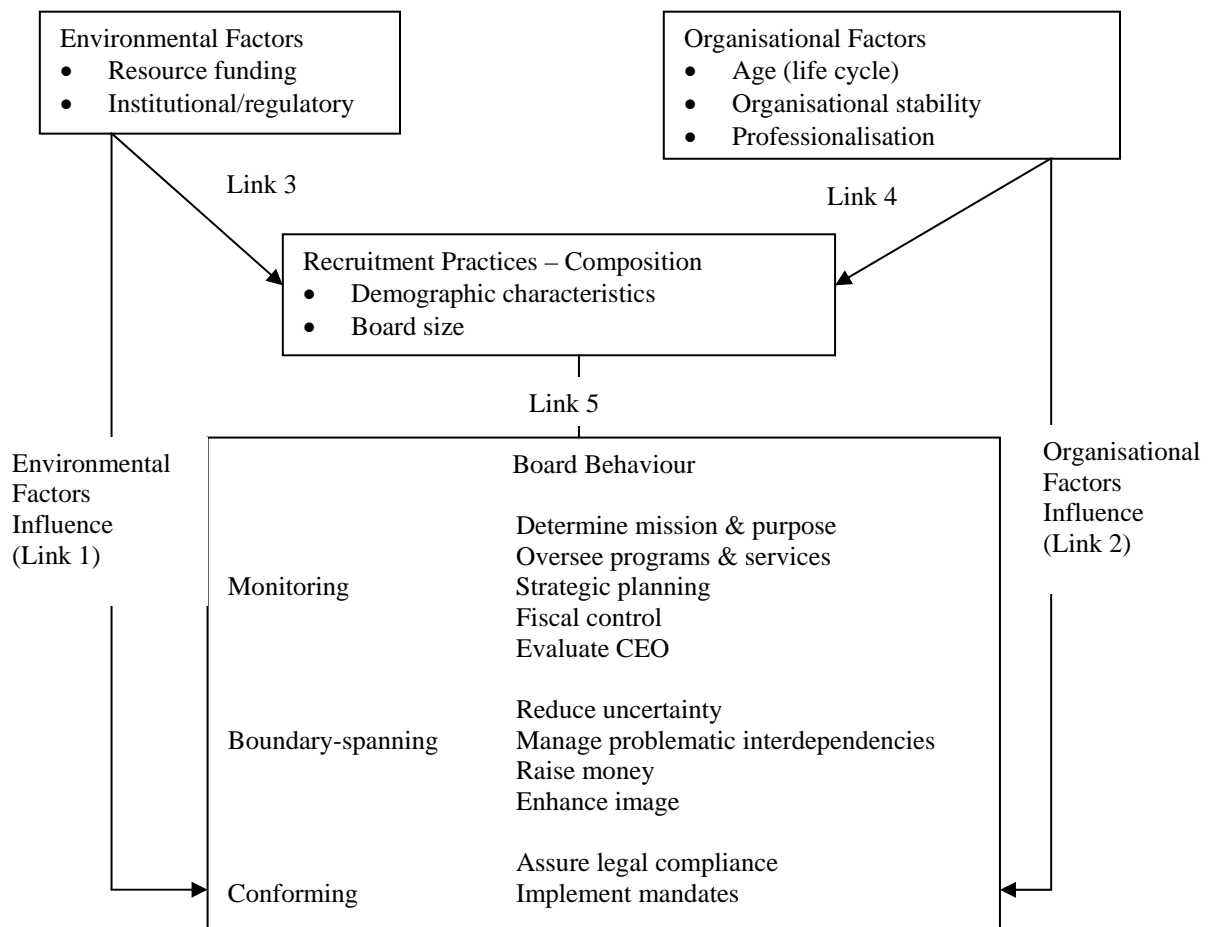
#### 2.3.5 Suitability of Existing Theories

Many researchers have been dissatisfied with these theories, as they have been applied to explain corporate governance practices. The complexity of organisations has often been cited as one reason for this dissatisfaction of the ability of theories to explain practice which has led to some researchers to broaden the theories and integrate them with other theories (such as Puyvelde et al. (2011) broadening agency theory and integrating stewardship and stakeholder theory for not-for-profit organisations). Other researchers have argued that the problem is that each discipline views corporate governance in a different way and the lack of a common language has hampered the development of corporate governance into "part of a more general theory of social construction" (Turnbull, 1997, p. 200). "No single academic discipline yet satisfactorily embraces all the multitudinous variables that influence and affect governance practices" (Tricker, 1997, p. 2).

Turnbull (1997) reported that surveys of the literature found different models of corporate control: the simple finance model (including agency theory), stewardship model, stakeholder model and the political model. Alternative models for corporate governance were based on culture, power and cybernetics. After a thorough analysis of all the models, Turnbull came to the conclusion that no one model was sufficient to explain corporate governance structures: “An interdisciplinary holistic approach is required” (Turnbull, 1997, p. 200). This difficulty in finding one model to explain governance structures was confirmed 14 years later by Brown, Beekes and Verhoeven (2011, p. 99) who explained that the breadth of corporate governance was too large to have a “unifying theory”, though this has not stopped researchers from attempting to do so (such as Puyvelde et al. (2011)).

Recognising that a “theory-based typology of board behaviour has been absent from the literature on nonprofit board governance”, Miller-Millesen (2003, p. 524) created a multi-theoretical view of board behaviour (not governance), by combining a number of theories: agency, resource dependence and institutional theories to create a theory-based framework for not-for-profit board behaviour (see Figure 2.1). In Figure 2.1, the box for board behaviour encapsulates the different theories as monitoring behaviour was derived from agency theory, boundary-spanning behaviour from resource dependence theory and conforming behaviour from institutional theory (coercive isomorphism from fear of sanctions). Within the diagram environmental and organisational factors are conceptually linked directly and indirectly through recruitment practices to board behaviour. It is the outcome of the linking between all the different factors that is expected to provide some explanation of why boards behave in certain ways, and the ways in which board behaviour can be influenced.

**Figure 2.1 Theory-Based Typology of Board Behaviour**



Source: Adapted from Miller-Millesen (2003, p. 523)

Miller-Millesen also recognised that the three theories were not mutually exclusive and quite often alternative theories could explain the same behaviour. Board behaviour may just be a reaction to the different links (environmental and organisational) and examining structure and composition of the board may not provide any information about the conduct of the board. For example, if new board members were recruited due to external pressures to conform, then institutional theory would suggest that board size and diversity would be similar, so the structure or composition of the board would merely be a reaction to coercive pressures. This implies that every board would be unique due to its set of environmental and organisational factors. Miller-Millesen (2003) argued that the way forward for this

research would be to get more empirical evidence of the way boards actually behaved and to use a multi-theoretical approach to help understand it.

By condensing the literature through the lens of three theoretical perspectives into one model, Miller-Millesen offers a base for further model development in providing a foundation for explaining board behaviour. As Hoyer and Doherty (2011) note the model is consistent with the literature which has been unable to find a link between board behaviour and board performance in not explicitly linking to board performance. The theoretical perspectives used were those that had been prolific in the for-profit literature, but have been questioned in the not-for-profit context with other theories such as stewardship and stakeholder theories offered as alternatives.

## **2.4 Models of governance**

Different governance models have been created to provide a broader perspective of differences between governance in for-profit organisations and not-for-profit organisations. Similarly to the lack of consensus on theories of corporate governance, there are a variety of different governance models with no consensus on which one provides the best guidance for good governance. Two very general extremes of governance models, the philanthropic and the corporate model, were detailed by Alexander, Morlock and Gifford (1988), summarised in Table 2.1.



**Table 2.1 Comparison of broad governance models**

<i>Philanthropic Model</i>	<i>Corporate Model</i>
Large board size	Small board size
Wide range of perspectives/backgrounds	Narrow, more focused perspectives/backgrounds
Small number of inside directors	Large number of inside directors
Separation of management and governance	Active management participation on the board
Informal management accountability to board	Formal management accountability to board
No limit to consecutive terms for board members	Limit on consecutive terms for board members
No compensation for board service	Compensation for board service
Emphasis on asset and mission preservation	Emphasis on strategic and entrepreneurial activity

Source: Adapted from Alexander et al (1988, p. 317)

Alexander and Weiner (1998) used these different models in discussing the problems with the pressure for not-for-profit organisations (in their case, hospitals) to adopt corporate governance practices. Although they identified that the corporate governance and philanthropic governance systems were two distinctively different models, they found that most hospitals reflected a hybrid model. They held that calls for adopting corporate governance practices in the not-for-profit sector derived from increasing competition and financial pressures. The philanthropic model's focus on "community participation, due process and stewardship" was not completely compatible with the corporate model's focus on "strategy development, risk taking, and competitive positioning" (Alexander & Weiner, 1998, p. 225). These different values were found to be reflected in the rest of the governance structure such as size, membership and term limits and hence no one aspect could be examined alone, so a

holistic view was necessary in any governance research. The better performing not-for-profit organisations were those that were more likely to adopt the corporate model due to extra funds (this meant they could afford the additional cost of experimenting with new structures). Larger not-for-profit organisations were more likely to adopt the corporate model as they resembled large organisations in size and complexity and could “find it easier to attract board members with the business, legal, and financial skills required” by that model (Alexander & Weiner, 1998, p. 227). They also suggested that many organisations linked to a national umbrella organisation may be encouraged by the national organisation to adopt more business-like structures even though their local stakeholders may actively discourage such practices. This may lead to the national organisation increasing the importance it placed on accountability to it rather than to the community or stakeholders directly impacted at a local level.

The above research identified a paradox: the argument to adopt corporate governance structures was based on the belief that it would “rescue not-for-profit organisations from financial crises or improve their competitive positions” (Alexander & Weiner, 1998, p. 237). Those taking up corporate governance structures were those that were not experiencing a crisis. They were large in size or growth rate and had no competitive pressures. Their findings suggested that the adoption of for-profit governance structures and practices should not be undertaken by not-for-profits, being neither feasible nor desirable for many and often with negative consequences such as loss of community support and quality of service.

Although the philanthropic/corporate model simplifies the broad distinctions between the not-for-profits and the for-profits, other models have been designed to assist with

board operations and governance. Two opposing models well recognised in the literature are the traditional model and the newer Carver model. The traditional model is more aligned to the philanthropic model, the Carver model being more aligned to the corporate model.

#### 2.4.1 Traditional Model

Written as a prescriptive piece for the effective running of not-for-profit boards Houle's (1960) model exemplified the traditional model of governance. Fifty years later is the most dominant model used in not-for-profit sporting organisations (Hoye et al., 2009). The role of volunteers and interpersonal relationships was identified as central to the effective running of the board. This was encapsulated within the five elements on which the model was built: the human potential of the board; the structure of the board; relationships between the board, executive and staff; the operations of the board and the external relationships of the board. Houle argued against running the organisation according to political theory concepts, although this became the basis of Carver's model in 1990. One of Houle's central arguments was that in practice there was no clear distinction between the executive and the board with the relationship between them very complex. Many functions overlapped as necessity warranted, with policies often being drafted by the executive.

Houle's view of the board was as an integral part of the organisation – hence much time was spent in aiding and supporting rather than controlling the organisation. There was no sharp delineation between the levels of the authority of the executive and the board – they worked together to achieve mutual objectives. In direct contrast to Carver (1990): the key to working together “lies not in the application of external

principles (“the board should make policy and the executive and staff should carry it out”) but in a collaborative spirit in which the major parties work together to do what each does best” (1960, p. 11). Governance was not clearly defined by roles, as in many cases the executive created policy and hence was also involved in governance. In many situations staff were most significant with volunteers playing a very important role. The human dynamics of group interaction on boards and within organisations was central to the survival of the organisation. Critical of the lack of research on boards he noted research that had been carried out was from the outside looking in. No researcher had actually gone inside the organisation to really understand the power structure that boards often represented.

#### 2.4.2 Carver’s Model

An alternative model (Carver’s model) was developed from consulting and industry experience and a view that there was little available to assist not-for-profits understand their board roles. Carver’s first prescriptive text was released in 1990 with a new edition in 2006. Carver’s process model created for not-for-profit boards (Carver, 1990) had its focus on strategy and processes, being closely aligned with the corporate model. Carver believed that the sole duty of boards was to establish policy in four areas: ends (results), executive limitations, board-executive relationship and board process. The board was to avoid becoming involved in management. The CEO was responsible *to* the board and not *for* the board. This compared to the traditional model by Houle (1960) where the CEO had the major responsibility for the organisation’s effectiveness and to Herman and Heimovics’ (1990) research on not-for-profits which found that the CEO rather than the board, was central to the success

of the organisation. Carver's process model lacked attention to the importance of fundraising and external relations.

As governance was a social construct "the purpose can be whatever we say it is" (Carver, 2006, p. 335). He identified his policy governance model (re-named from the process model) as being specifically designed to fulfil the social construct of "ensuring that the owners' interests dominate and are fulfilled by the organisation" (2006, p. 337). The owners for not-for-profits organisations, such as club members, were the moral owners. Governance was exclusively the job of the governing board and hence did not include the executive. This appeared to be a narrower view to the traditional model of governance.

Recognising the huge problem that not-for-profits had in being unable to use the market test to define success or failure or recognize good performance, Carver (2006) argued that the boards must perform that function. To that end the board must set policy (which referred to values, perspectives or both), which delineated and defined the organisation. Everything the executive did (and through them, the staff) must strictly follow policy. The board represented its owners and was there to ensure the organisation acted as it should. Hence the policy governance model was designed to ensure "owner-accountable organisational performance" (2006, p. 338). This avoided management-centred approaches – "governance practices should not be compelled to fit the organisation but the organisation should fit the governance practices" (2006, p. 325). Governance and management decisions were completely separate with the board confronting and dealing with issues of governance and not meddling with management and with the CEO performing the reverse. Although agency theory was

mentioned, Carver argued that the model was based around the philosophers Rousseau (a leader on social contract), Hume and Mill referring to their theorising on the relationship between a large body of people and a smaller group who were authorised to act on their behalf.

Carver admitted that research had not been able to prove that his policy governance model was effective, but he argued that research had been unable to show that *any* approach was effective, and claimed that the research on governance was very primitive. A major impediment to research was the lack of agreement on the purpose of governance: its “purpose can be whatever we say it is” (2006, p. 335). Carver explained the difficulty in researching the model with the following statements:

“Policy Governance model enables wise and intelligent people to govern with excellence; it does not produce excellence. Only board members can do that” (2006, p. 340). This very last line of the text, recognition of the central role of individuals in the whole process, was virtually ignored in the rest of the text. In fact Carver stated that being a voluntary board was irrelevant to governance and accountability.

That the Carver model has not been as readily accepted as the traditional model was recognised by Hoye (2002) who found that voluntary sporting organisations did not follow the Carver model even though the Australian Sports Commission adopted the model as part of its governance framework and promoted it as best practice.

Executives had the most influence in overall decision making, compared to the Carver model that had the board setting limits on the power of the executives and with the board having the ultimate decision making power. The Carver model held that members should have skills in law, marketing, strategic planning, business

administration and finance, which was not found to be realistic in these voluntary organisations.

Hoye and Cuskelly (2003) reported that prescriptive governance models such as Carver's, were lacking. Although the Australian Sports Commission (2005) released a report and recommendations for sporting organisations to follow based on Carver's model, they found that members did not follow the model with executives primarily responsible for strategy development rather than the board. Also instead of having policies for relationships between the board and executives, relationships were continually being negotiated. It was found to be impossible for relationships to be static and determined in this way as board membership changed on a yearly basis.

Nobbie and Brudney (2003) tested whether Carver's policy governance model improved organisational effectiveness with data from three different samples. They found that the policy governance model was no better at improving organisational effectiveness than any other type of board development training, but that some sort of training was identified as being better than none. They also reported that CEOs appeared to "like operating under the policy governance model" (2003, p. 593) as they had a clearly defined role.

Friedman and Phillips (2004) and Nobbie and Brudney (2003) also found the Carver model lacking due to its assumption that one-size-fits-all. They questioned the universality of a model that dictates that governing bodies owe a primary duty to the organisation's owners and their values and that this should direct their leadership; and that they should pursue the strategic objectives by any means possible. They point out

that in many organisations it is impossible to work out who constitutes the ownership, and it is often impossible to separate the means from the ends. They found Carver's dismissing of governance structures problematic by arguing that they were determined by history and circumstance. Arguably governance structure was important, as previous research had found "some" correlation between structure, board effectiveness and organisational effectiveness in not-for-profits. The exact relationship was marked by "difficulties and differences in setting criteria and measuring effectiveness" (Friedman & Phillips, 2004, p. 189).

Referring to Herman and Renz's (1999) research which found that strategic planning was associated with not-for-profit effectiveness, Friedman and Phillips (2004) identified that the not-for-profit research on governance structure and board effectiveness was largely lacking. They devised a model which incorporated representative groups to act as a link between the board and the stakeholders (hence being representative of their views) and only a small board to make strategies with the CEO being central to the model. They emphasised the importance of information to all members and not just the representative group. Even with such a model they identified that merely having appropriate governance structures is "a necessary but not sufficient factor in achieving effectiveness" (Friedman & Phillips, 2004, p. 200) as there were many more variables involved. In trying to account for as many variables as possible, Bradshaw (2009) identified a contingency approach to governance with firms using the governance model (or as she explains "governance configuration" as "governance model" was too confusing a term) that was most appropriate for them at the time taking into account the environment, strategy, structure, stage in the life cycle, ideology and governance subsystems.



Although the general models differentiating philanthropic organisations (not-for-profits) from corporate organisations (for-profits) are widely recognised, there remains no universally accepted model for not-for-profit board operations. There appears to be multiple external pressures on boards (legislative as well as for-profit views), which may not be aligned with pursuing the not-for-profit organisation's mission. With the board being the focus of much governance research and with theories underlying governance in operation within the sector remaining contestable, an understanding of the findings of research in the sector will seek to identify how organisations are operationalising their governance concept. In particular whether there is any consistency in how organisations are reacting to external pressures and if this has been explored in any theoretical context.

## **2.5 Research on Governance in Not-For-Profit Organisations**

Much of the literature on governance in not-for-profit organisations has been criticised for being prescriptive, reliant on personal experience and on anecdotal evidence (Bradshaw et al., 1992; Jackson & Holland, 1998; Cornforth, 2001). However there has been a gradual increase in empirical research in not-for-profit governance, predominantly through the use of surveys. As very little interview or case study work has been undertaken it may explain why so little is understood about the actual processes of governance and why the focus has been on “tick-the-box”.

The majority of the research on governance on not-for-profit organisations has been on the outputs of governance – the effectiveness and performance of the board and/or the organisation. If the research was able to identify when a not-for-profit organisation was operating effectively it should be possible to identify elements beneficial for

governance structures. The research is not that advanced. In the not-for-profit sector research testing whether a board was “effective” is a major challenge. Hawley and Williams (1997) and Pye and Camm (2003) reflecting on the lack of research able to find a link between good governance and good performance, recognised that some authors were able to find a link between certain features of governance and performance. Aguilera (2005) in reviewing the research on for-profit companies, suggested that the reason behind little empirical evidence on this link between good governance and performance was due to the difficulty in defining good governance rather than box ticking.

Arguably not-for-profit organisations require a greater focus on their governance (Dawson & Dunn, 2006) because they lack a profit focus, so accountability should be much broader with the expectations and level of trust much higher. This lack of a bottom line target also made prioritising stakeholders interests difficult, therefore, the whole organisation was much more difficult to manage, structure and govern. Any good governance techniques would be difficult to define in such a diverse sector.

### 2.5.1 Effective Boards

The majority of empirical research into effective not-for-profit boards has taken place in the US with limited research in Canada and the UK and has been largely reliant on survey type instruments, with very few interviews or case studies. Some understanding of the breadth of empirical research can be found from the summarised in Table 2.2, which is representative of the not-for-profit research (however the voluntary sporting organisations’ literature has not been included as it is separately discussed in Chapter 3).

**Table 2.2 Effective Board Research**

<b>Author</b>	<b>Year</b>	<b>Participants</b>	<b>Method</b>	<b>Results</b>
Taylor, Chait & Holland	(1991)	32 trustees from 10 US private colleges	Grounded theory inductive approach	Trustees' motives; 6 competencies of effective boards
Bradshaw, Murray & Wolpin	(1992)	417 Canadian not-for-profit voluntary organisations	Survey	Board process and structural variables only accounted for small proportion of variance
Holland & Jackson	(1998)	15 US colleges 5 social service agencies 4 hospitals	3-year study National panel of experts	Created BSAQ survey with 6 dimensions of board competency Intervention group improved
Cornforth	(2001)	British charities	Survey	4 processes account for greatest amount of variance in board effectiveness
Sawhill & Williamson	(2001)	US 30 not-for-profits with clear missions	Case study Survey	Most successful developed actionable goals
Nobbie & Brudney	(2003)	3 US & Canadian groups based on model used: 32 not-for-profits policy model 309 not-for-profits random 55 not-for-profits NCNB	Survey	Boards were higher performing if received any training (model not important), CEOs liked policy model.
Ritchie & Kolodinsky	(2003)	122 US University foundations	Data analysis of financial ratios	3 performance categories
Herman & Renz	(2004)	Time 1: interviewed 64 US health CEOs Time 2: interviewed 44 CEOs Surveyed CEOs and stakeholders	Longitudinal panel study	Different constituencies judged effectiveness differently but all agreed organisational responsiveness important
Preston & Brown	(2004)	197 volunteers of 38 midsize social service organisations in Orange County California US	Survey Performance judged by executive	Affective commitment and performance was strongest finding – sincere desire to be there
Brown	(2005)	121 board members 183 executives US	Survey BSAQ Financial measures	Financial performance related to strategic contributions Group/decision process model linked to board performance but not organisational performance
Gill, Flynn & Reissing	(2005)	281 board members, 31 executive directors from 32 Canada.	GSAC survey	No relationship between governance model employed and effectiveness
McDonagh	(2006)	64 board leaders of US hospitals	Survey BSAQ	Strong single factor of collaborative board functioning was strongest finding

Research into identifying the effectiveness of boards has diminished since 2006 with many researchers identifying problems with survey research and others (such as Herman and Renz, 1999; 2008) finding that the determination of “effectiveness” was a social construct and reliant on the particular organisation, so there was little point in trying to compare it across other organisations.

As can be seen from Table 2.2, what was measured as “effectiveness” varied considerably. According to Houle (1960) there was only one way to measure effectiveness: measure how well objectives had been achieved. However Houle recognised that measuring the achievement of objectives could be difficult if it was not quantitatively measured as more than one kind of evidence would then be required. Herman and Renz (1998; 1999; 2004) argued that this approach (goal model of effectiveness) was extremely problematic as goals were only achievable for real people, and organisational goals were often ill defined. An alternative was the system resource approach, which measured effectiveness as the organisation’s ability to exploit resources. This approach would justify using such items as financial data to measure effectiveness. The problem with this approach was that it was focussing the organisation on financial data, which “may threaten many not-for-profits’ legitimacy” (Herman & Renz, 2004, p. 695) and it would only be measuring one type of effectiveness. Although not-for-profit organisations may be limited in having no “bottom line”, their need for reliance on more than a single measure was one that had also been pursued in the for-profit literature. An alternative view was to use social construction from institutional theory to define organisational effectiveness through the eyes of stakeholders, though some caution was needed with such a view: “One implication of institutional theory is that the distinction between the reality and the

evaluation of effectiveness is perhaps illusory and without meaning’’ (Herman & Renz, 1999, p. 110).

In recognising the difficulties in identifying what was effective for an organisation, Taylor, Chait, and Holland’s (1991) seminal work was unique as it used a grounded theory approach as a basis for identifying board effectiveness. They described how they developed their grounded theory in detail in an earlier paper (Holland, Chait, & Taylor, 1989) which also explained the need for such research due to “the rather primitive state of the art with respect to knowledge of governance” (Holland et al., 1989, p. 439). Through analysis of interviews of trustees from US private college campuses, they were able to identify six board competencies. Using those competencies they analysed their interviews to find if the boards were effective and found that their results compared favourably to the results from a panel of national experts. Their major result from the studies was the creation of a board self-assessment questionnaire (BSAQ) based on the six competencies, and the finding of the essential difference between effective and ineffective boards was the trustees’ motives. Trustees who had a “deep affection and a sense of connection to the college” were much more likely to be represented on an effective board (1991, p. 207). Although theories were not discussed in this research, the findings could be explained by stewardship theory.

Jackson and Holland (1998) reported on their thorough analysis of the board self-assessment questionnaire (BSAQ), testing validity, reliability and sensitivity by analysing the results from 14 colleges. Even though they identified that interviews were by far superior for understanding boards as they provided so much more depth in

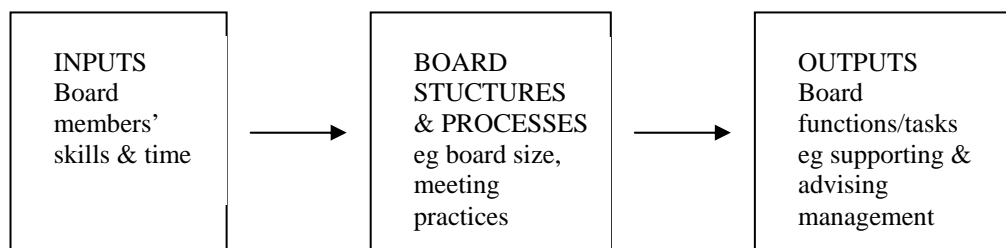
responses, they explained that few researchers had time to undergo such analysis; hence a questionnaire that the not-for-profits administered themselves was the next best thing. Their analysis resulted in refinements to the questionnaire leaving it with a final tally of 65 questions. This became the basis for their three-year study (Holland & Jackson, 1998) which included a quasi-experiment on diverse not-for-profit organisations. They did not include organisations that were staffed by volunteers. Ten of the boards received a three-year developmental intervention and 14 matched boards received no intervention, as their study was based on an analysis of whether such intervention resulted in any impact on board performance. They used the BSAQ to identify any improvement and found that the intervention group did show significant improvement, though they did recognise that such a finding may reflect the Hawthorne effect. Most effective boards learned to examine “*how* board members worked together as well as *what* work the board did” (Holland & Jackson, 1998, p. 132).

Herman and Renz (1999) in a theoretical paper, advanced six theses on not-for-profit organisational effectiveness derived through integrating specific not-for-profit organisational effectiveness literature with the general organisational effectiveness literature. They argued this was justified due to the variety of theoretical perspectives and research objectives undertaken in not-for-profit effectiveness studies making any attempt to review the research and come up with conclusions futile. They determined that effectiveness could only be determined by comparison, and that the assumption that effective boards led to effective organisations or effective not-for-profit organisations (NPOs) and correct management practices were not proven. Although they identified that effectiveness was a social construction they also found that the

“social construction of NPO effectiveness is not necessarily stable or complete” (1999, p. 118). They argued that part of the problem was that stakeholders differed in their judgements and understanding. In a subsequent paper, Herman and Renz (2008) extended their theses explaining that it was unlikely that there could be “any universally applicable best practices” prescribed for all NPO boards and management (Herman & Renz, 2008, p. 405).

In a national survey of British charities, Cornforth (2001) used data from 700 respondents to explore board effectiveness (with no attempt to extend this to organisational effectiveness). The conceptual framework they used is shown in Figure 2.2.

***Figure 2.2 Influences on Board Performance***



Source: Adapted from Cornforth (2001, p. 218)

External accountability and external stakeholder relations were included as outputs. Cornforth identified five processes that best explained judgements of effectiveness: setting the mission, fund raising, financial management, strategy and review of board performance. However no structural variables were found to be important. In the final regression model, four processes were found to account for the greatest amount (45%) of variance in board effectiveness: clear understanding of role and responsibilities, “right mix” of skills and experience and time for the role, sharing of a common vision by the board and management and periodical reviews of how they were working

together. Board size, the use of sub-committees and induction or training for board members were not found to be related to effectiveness. Cornforth recognised the limitations involved in having only one respondent from the organisation complete the survey. The use of the survey instrument restricted the ability to understand why the respondent chose the response and whether they reflected actual performance or some view of common prescriptions for boards.

Recognising the lack of support in the literature for developing effective boards, Inglis and Cleave (2006) developed a framework to identify motivations of board members in not-for-profit organisations. The framework was developed initially through items from the literature and the researchers' own experiences. Questionnaires were sent to board members of diverse not-for-profit agencies. The final multidimensional framework consisted of six components: enhancement of self-worth, learning through community, helping the community, developing individual relationships, unique contributions to the board and self-healing. They argued that by connecting these motivations with human resource practices the effectiveness of the board should improve. The components that Inglis and Cleave identified reflected a deeper understanding of not-for-profit organisations rather than relying on the for-profit literature as the emphasis was on the individuals rather than board processes or financial outputs.

From this summary of the research on effective boards, the difficulty in moving away from a financial view of effectiveness is evident. Although the importance of the individuals' impact on board behaviour is slowly being recognised, accountability or ethics has not been researched.



### 2.5.2 Organisational Effectiveness

Board effectiveness and organisational effectiveness are often difficult to distinguish in the literature. For example Herman and Renz (2004) built on their cross-sectional study reported in Herman and Renz (1997; 1998) with a longitudinal panel study on not-for-profits to find whether dissimilar constituencies judged effectiveness differently and whether changes to “correct” management practices would increase board effectiveness and subsequently organisational effectiveness. They followed up interviews with surveys. After they had found that stakeholder groups differed in their perceptions of effectiveness, for example funds providers placed more importance on policies and financial reporting than other individuals, they changed how they questioned the groups. Instead of defining what should be included in effectiveness they allowed the stakeholders to assess it completely independently, hence “the basis of their response is whatever is important to them” and they called this “organisational responsiveness as effectiveness” (Herman & Renz, 2004, p. 699). The importance of using responsiveness as a useful instrument to measure organisational effectiveness was later used as a thesis in their 2008 paper.

Although Herman and Renz (2004) found that “correct” board management practices did not relate to board effectiveness, they found that stakeholders believed the two to be correlated. Their analysis also found some suggestion that board members and CEOs used financial results to measure board effectiveness and that funders valued prestige of board members above the number of board practices. “Correct” management practices had no impact on judgements of organisational effectiveness in Herman and Renz’s (2004) study, even though board members used board practices as a measure of effectiveness. Once they changed their measure for managerial

effectiveness, Herman and Renz found that all stakeholder groups strongly related organisational responsiveness to judgements of effectiveness. They suggested that the reason not-for-profits adopt “best practice” even though it had not been proven to be effective, was for legitimacy purposes with key stakeholders. Therefore it was important that management practices worked in the particular context of the not-for-profit organisation. They suggested that it was more important to have regular and effective communication with stakeholders so the organisation would understand the changing expectations of stakeholders that impacted on their judgement of effectiveness.

Brown (2005) recognised the lack of theoretical and empirical evidence on the link between boards and organisational performance due to the problem of measuring performance in not-for-profits with the respondents, each having their own bias, impacted by social constructionist views of performance. Financial performance measures were not ideal, as they did not reflect a goal of not-for-profits. Brown argued that one way to partly overcome the problem was to use several measures of financial performance as well as the respondent perceptions’ of effectiveness. He reviewed Taylor, Chait and Holland’s (1991) six dimensions of effective board performance used in their BSAQ to identify which theory each dimension represented and applied three theories: agency theory, resource dependency theory, and group/decision process theory to determine how and why the dimensions could potentially influence organisational performance. Brown found that overall the six dimensions were able to cover some aspects of all three theories and could provide a “reasonable framework to explore associations between board and organisational performance” (2005, p. 325). Brown’s survey of US not-for-profit executives and

board members found that larger organisations performed better, including financial performance; however why this was so could not be identified. The contextual dimension with respondents' perceptions of effective boards reflecting the board's ability to follow mission and values supported agency theory. The political and strategic dimensions supported resource dependency theory with external relationships and financial performance reflected in organisational performance. The board's strategic contributions were central to the executives' perceptions of organisational performance. The educational, analytical and interpersonal dimensions all supported decision/group process theory with the latter two correlated with effective boards from perceptions and net revenue. Brown argued that although his findings supported the well-recognised contention that strategic contributions were a feature of effective organisations, the less recognised interpersonal dimensions were also important. The use of a mixture of measures of effectiveness was important as financial performance was found only to be correlated to the strategic dimension.

Demonstrating that problems still existed with identification of measures of effectiveness, Gill, Flynn, and Reissing (2005) developed their own self-assessment checklist that they called the Governance Self-Assessment Checklist (GSAC) with 144 items for both board and organisation effectiveness. They argued that previously developed self assessment check lists such as Jackson and Holland's (1998) BSAQ were too abstract for boards to understand. They used the checklist to survey board members and executive directors from various not-for-profit Canadian organisations. The most effective board functions judged by board members were found to be board culture, community representation and financial stewardship. The least effective were mission and planning, performance monitoring, risk management, human resources

stewardship and board development. Least effective meant that board members perceived the need for improvement, with board development practices perceived to require the greatest amount of improvement. They also found that effectiveness of the board or the organisation was not significantly correlated with the size of the board, budget, and number of staff or CEO turnover. And further, no relationship was found between the governance model employed and either board or organisational effectiveness. They suggested that attention to the impact of specific governance practices that cut across governance models may prove to be more useful in understanding how boards contributed to organisational effectiveness than just identifying which governance model they used. They also suggested that care should be taken in using CEO job satisfaction as a measure of effectiveness as they found that board support for management of the organisation would influence job satisfaction.

Balser and McClusky (2005) took a slightly different angle in exploring not-for-profit organisations' management of stakeholder relationships to find whether these impacted on perceived organisational effectiveness. They examined stakeholder management practices in three US not-for-profit human service providers through semi-structured interviews with the executive director. They found that organisations that used a consistent approach (either with a focus on mission or a focus on cultivating relationships with stakeholders) in managing stakeholder relations were rated as more effective by external evaluators, but suggested that it may be the rationale behind the approach that was equally as important. As their research was centred on the executive director, they suggested that future research should examine how the executive director related to members of the board to build relationships with

other stakeholder groups and whether stakeholders' perceptions of effectiveness was influenced by board involvement.

In a purely theoretical paper, Sowa, Selden and Sandfort (2004) identified the lack of consensus on what constituted organisational effectiveness and how it should be measured in proposing a multidimensional integrated model of not-for-profit organisational effectiveness as a possible solution. The difference between management and program effectiveness was central to the model and formed the primary dimensions, which were divided into the sub-dimensions of capacity and outcomes. Objective and perceptual measures were used to measure effectiveness. The model relied on the use of a multilevel structural equation modelling techniques to capture the interrelationships between the dimensions. They acknowledged that such a complex model created challenges in data collection for the researcher.

The research on organisational effectiveness revealed that similar to board effectiveness, to derive measures of organisational effectiveness where financial data cannot be used as the primary measure is difficult. This research identified the importance of stakeholder perceptions, not only in influencing management practices, but also in defining organisational effectiveness. Further research in this area requires identifying what the organisation defines as effectiveness and how it is measured, or whether it is measured at all. Performance measurement, closely aligned to effectiveness, is reviewed below to find whether financial data remains a critical performance measure in the not-for-profit research as it is in the for-profit literature.

### 2.5.3 Performance Measurement and Accountability

The problem with being able to define effectiveness was central to the problem for not-for-profits and researchers in determining a meaningful performance measurement system. Recognising a lack of convergence of *financial* performance criteria for not-for-profits, Ritchie and Kolodinsky (2003) argued that it resulted from a lack of empirical testing. Identifying that not-for-profits required a multidimensional approach they applied ratio analysis using financial performance ratios to evaluate financial performance measures and identify performance-related categories. In analysing their ratios of not-for-profit US university foundations with factor analysis, they found six ratios representing three performance categories to be significant: fundraising efficiency, public support and fiscal performance.

Furthering the research Ritchie, Anthony, and Rubens (2004) used survey and financial data from 144 not-for-profit US university and college foundations to explain the divergence between perceptual (implicit in social constructionist views of effectiveness) and financial measures. They found that the individual characteristics of the CEO explained some of the variance between their perceptions of performance and financial measures. Those CEOs with an internal locus of control, high collectivism value and an analytical decision style had the greatest convergence between their perceptions and the financial measure. Their finding that the CEO's views and behaviour converged with financial measures warrants the question of the relationship in those organisations between the CEO and the board, as in other research the focus was on the board.

In further research on financial performance using the same respondents, Ritchie and Eastwood (2006) explored whether there was any relationship between the CEO's functional business experience background and multiple financial measures to find whether financial performance was affected. Consistent with resource dependency theory they found that CEOs with experience in accounting, production and marketing were positively associated with financial measures. In finding that CEOs with financial experience were positively related with financial measures provides some reassurance for the board seeking such skills, but only if it aids in achieving the mission of the organisation. This was not explored in this research.

In identifying that for a not-for-profit organisation, the "mission represents the accountability between it and society – the rationale for its existence", Kaplan (2001, p. 360) noted that this should be the focus rather than financial measures. This provided Kaplan an opportunity to apply the Balanced Scorecard, which was able to use multiple measures and multiple stakeholders. In this research Kaplan reflected on five case studies where he coached the project team with the Balanced Scorecard. He found that a requirement for a new performance-oriented management system's success was the commitment of the executive leadership along with the involvement of the board in its development as in two of the case studies the CEO left and as the board had not been involved in the development; the balanced scorecard was also dumped. This research reveals the importance of the commitment of individuals in such organisations.

Understanding the difficulty in measuring performance in the not-for-profit sector Sawhill and Williamson (2001) reported on a case study of US Nature Conservancy

which “moved beyond measuring activity to measuring mission impact” (2001, p. 371). The model was devised to measure success in three areas: *impact* – fulfilling mission and goals, *activity* – achieving objectives and implementing strategies, and *capacity* – the resources to achieve goals. With this knowledge they then interviewed CEOs of 30 not-for-profit organisations with clear missions. They found that the most successful not-for-profit groups developed specific, actionable, measurable goals (often surrogates framed as 10 or 15-year goals) to link their “lofty missions” (Sawhill & Williamson, 2001, p. 380) with their operating objectives and also aid in accountability. They held that performance measures had to be tailored to suit the particular organisation.

As performance measures are difficult to define, it is difficult for volunteers to ensure their organisation operates in a “financially responsible manner”, follows the mission, and complies with state and federal laws (Preston & Brown, 2004, p. 221). This places a high level of responsibility on volunteers as board members for not-for-profit organisations. Preston and Brown (2004) studied a very under-researched area: whether board member performance was affected by the board member’s commitment to the board. To this end they surveyed volunteer board members of US not-for-profit organisations and assessed them on their commitment using Meyer and Allen’s (1991) three-component model of commitment (affective, continuance and normative commitment) and compared it to individual performance. Performance of board members was determined from preparatory interviews to be related to attendance, quality of attendance, knowledge of mission and programs, knowledge of general board and NPO issues, and provision of assistance where needed (Preston & Brown, 2004, p. 227). The executive judged the performance of the board members as



well as their assessment of the value of the board members, and the board members self reported on their behaviours. The strongest finding was between affective commitment – an emotional attachment to the organisation (as compared to continuance – awareness of the costs with leaving; and normative – an obligation to continue, commitment) and performance. With such a finding it is important for leaders of not-for-profits to encourage and recognise board member engagement such as attendance at meetings by ensuring constructive meeting practices to encourage participation. This research identified the importance of individuals in affecting the organisation.

The performance evaluation literature identifies that using financial data, as a primary tool for evaluation, would not provide relevant data for this sector. Similarly to effectiveness, there is no consensus on an applicable evaluation technique. This research did reveal how important individuals are in not-for-profit organisations: CEOs were strongly oriented to financial data, and individuals with an emotional attachment to the organisation were linked to increased board performance. This may reflect differences in the concept of accountability.

Accountability has become a major issue for the sector with Holland (2002) identifying that board performance for not-for-profits needed to improve in this area. Holland (2002) argued that defining accountability was essentially a matter of identifying the constituencies to whom the organisation relied and communicate the relevant information to those constituencies. However Holland found little agreement on how to achieve accountability and very few empirical studies on how not-for-profit boards dealt with accountability. In an examination of interview records of trustees

from diverse US not-for-profit boards, the same research data used by Holland and Jackson (1998), Holland found that most individuals were unaccountable (as they did not identify with their constituencies or feel a need to communicate the relevant information), although they recognised the “board was collectively responsible for the organisation” (Holland, 2002, p. 414). Few penalties were assigned for poor performance and the volunteers had little at stake. Often direct communication with constituencies was lacking or random, with many organisations unable to identify the constituencies to whom they should be reporting. Those that achieved good accountability used feedback and discussion to monitor their efforts and did not try to avoid their responsibility by shifting it to the executive.

The difficulty in defining accountability was recognised by Ebrahim (2003) who identified it as a constantly changing social construct with organisations facing multiple accountabilities – both external and internal. Ebrahim argued that legal regulations were inadequate for accountability as they reinforced a minimum behavioural standard and missed the internal accountability dimension. Similarly principal-agent perspectives were also inadequate, as not-for-profits had to balance multiple principals and interests with their own missions and values. Ebrahim identified that “missions add an ethical or value-based dimension to accountability” (2003, p. 199) and by focussing on the internal dimension they also provided a basis against which performance could be measured. Hence accountability became a reflection of the external constituents’ demands and the internal mission, and could only be understood in context. The problem with accountability was not in its trade-off between oversight and independence but in its complexity and dynamic nature with internal and external accountability differing across not-for-profits and their

particular relationships with stakeholders. This negative aspect of accountability was a similar finding to Spira's (2001) work in a for-profit setting, where it was argued that prescriptive monitoring mechanisms were found to hinder the enterprise.

The external constituents' demands as noted by Ebrahim (2003), were the equivalent of shareholder accountability in the for-profit setting. This external demand view of accountability was taken up by Lee (2004) in arguing that not-for-profit organisations should not only be accountable to the government, and key stakeholders, but also to the public at large. Lee argued that the public should be recognised as a stakeholder in its provision of substantial taxes to subsidise the sector, with reporting by not-for-profits increasing confidence in the sector. Lee (2004, p. 177) identified that implementing such public reporting could take the form of two different approaches: "indirect reporting through the news media and direct reporting to the public"; suggesting that a combination of the two approaches could take the form of e-reporting (via websites).

In exploring external accountability in not-for-profit organisations Mook, Sousa, Elgie, and Quarter (2005) examined whether financial statements used by the organisations followed the traditional for-profit resource use focus or were more specifically aligned to the organisation's accountability by including volunteer contributions. Their survey of 49 not-for-profit accountants identified that most (55%) agreed that conventional financial statements did not reflect not-for-profit performance and most (68%) believed that the inclusion of volunteer contributions would give a fuller picture of the organisation. Yet when they surveyed 156 Canadian not-for-profit organisations they found that only a relatively small number (3%)

estimated a value for volunteer contributions and included it in their financial statements.

Gray, Bebbington and Collison (2006) would explain Mook et al.'s (2005) findings to be a result of the lack of relevance of accountability to the not-for-profit organisations in attempting to approximate “an analogue for the primary reporting focus of commercial organisations” (Gray et al., 2006, p. 334). With the accounting literature deriving its understanding of accountability from commercial organisations, economic performance took a primary role. Without that central focus accountability shifts from the bottom line having primary position to transparency and recognition of the shared values of the community represented by the organisation. Further, formal accountability (through reporting) may be required in larger organisations, but in smaller organisations it can be “an unnecessary burden - and an improper imposition” (Gray et al., 2006, p. 335). This size factor could be understood by the degree of closeness, the closer and simpler the organisation (such as a member-based grass roots organisation<sup>3</sup>) the less need for a formal system of accountability. Yet these organisations are still able to discharge their accountability merely by being recognised as doing what is expected of them.

Christensen and Ebrahim (2006) used a case study to examine a not-for-profit organisation serving immigrants and refugees and found that the requirement by donors for upward accountability did not improve their achievement of their mission. For example matching the grant report to match all donations was very detailed, down to the level of counting spoons donated to families. Such an exercise was not

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<sup>3</sup> For example, clubs in a sporting organisation.

beneficial to the organisation and detracted from the mission. Not only did the organisation have to be upwardly accountable to its donors, it had to be laterally accountable to staff, volunteers and board members and downwardly accountable to its clients, beneficiaries and local community. They suggested that alternative forms of communication (such as weekly staff meetings) might be preferable to more detailed reporting.

To overcome such a narrowly focussed accountability and move to a broader stakeholder accountability, Cooper and Owen (2007) argued that a more pluralistic form of corporate governance would be required. O'Dwyer and Unerman (2007) reinforced this perspective with recognition that non-governmental development organisations followed the for-profit literature in focusing on evaluation and monitoring of financial resources with a primary focus on accountability to funders rather than on the values and mission of their organisation. They too argued that a broader accountability was required, one that took into account the social impacts. Messner (2009, p. 919) argued that the reason a broader form of accountability was required was that the "conventional language of accounting portrays human beings as purely economic agents who relate to each other through their self-interests alone" and therefore accountability in that context falls short of mutual responsibilities. In member-based not-for-profit organisations it is the mutual responsibilities and the connection with the supporting community that allow it to exist, so the limits on accountability should be recognised.

Accountability, a central part of governance, emphasises the importance of external pressures on the not-for-profit sector and the requirement to account not only in a

financial context, but also in a broader stakeholder context. Formal accountability (through reporting) may be questioned as to its relevance to many member-based not-for-profit organisations and to this end transparency through communication, (such as informal meetings rather than formal reports), is recognised as an essential component. Only Holland's (2002) research identified problems unique to volunteer board members with few penalties and little at stake for the individuals if they were not accountable. In Australia there have been added external pressures to be accountable. These are discussed in the Australian research below.

#### 2.5.4 Australian Research

Australian research in this area has been extremely limited. There have been two recent major surveys of not-for-profits: Steane and Christie (2001) of 118 boards; and Woodward (2003) of 9,817 companies limited by guarantee listed with ASIC.

Steane and Christie (2001, p. 48) recognised the expectation in Australia of not-for-profit boards to "mimic their corporate peers" to become more accountable.

Their research identified a shareholder approach to governance in some aspects of not-for-profit boards with isomorphism from legislative requirements, but they also found that the stakeholder approach was dominant in activities and priorities.

Directors with functional expertise (management, law or marketing) were found to prefer activities that reflected a shareholder approach to governance and it was suggested that this approach might also reflect the influence of the legislative requirements (such as the CLERP reforms). However within the not-for-profit sector, director loyalty was regarded more highly than their functional expertise.

Dissimilarities between the non-profit sector the for-profit sector, such as more

women directors, a greater representation of minority groups, prizing knowledge and loyalty to the sector and engaging in operational management, resulted in board operations being significantly different to the for-profit-sector.

Woodward (2003, p. 106) explored the difficulties of incorporation for not-for-profit organisations with the voluntary nature of their boards along with the “multiple and complex accountability foci” recognised as “significant impediments to good corporate governance practices”. Consistent with Steane and Christie’s (2001) results, Woodward found that the average size of the board was eight<sup>4</sup>, the majority of board members were unpaid non-executive directors<sup>5</sup>, female representation was evident in at least three-quarters of the boards and for more than half of the respondents’ their primary purpose was to serve their members. Woodward questioned the applicability of having regulations (and a regulator) the same for not-for-profits as for-profit organisations, as they are distinctively different groups.

Difficulties for the not-for-profit sector have not been isolated to having to conform to legislation. Governmental reforms in Australia directed at the not-for-profit sector, labelled the “new public management” resulted from a requirement for increased efficiency and accountability arising from a “fiction that private sector governance, accounting, auditing, and accountability models are universally applicable in the public sector” (Guthrie, Parker, & English, 2003, p. 3). “The focus has shifted from political and public accountability for probity, equity and service to accountability to the managerial hierarchy of the internal public sector for financial outcomes” (Guthrie et al., 2003, p. 6). This reinforced the shareholder approach to governance.

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<sup>4</sup> Though it was also noted there was a large range from the legislated minimum of three up to 45.

<sup>5</sup> 8% were paid.

In exploring the changes that have affected volunteer management from this “adoption by the public sector of private sector practices” (new public management), Leonard, Onyx and Hayward-Brown’s (2004, p. 207) research confirmed that it was difficult for the not-for-profit organisations to shift from the philanthropic model to the corporate (for-profit) model. The increased emphasis on accountability was closely aligned to an increase in legislation (such as public liability) which led to “demands for more stringent selection, training and supervision of volunteers” (Leonard et al., 2004, p. 208). This was identified as having created confusion within organisations with the focus on efficiency (similar to for-profit companies) not automatically ensuring adherence to government procedures (focusing on policy and procedures), with the result that neither may conform to the values of the organisation. In not-for-profit organisations with a high reliance on volunteers, the impact of such a clash could easily cause volunteers to leave the organisation.

Using a grounded approach, Leonard et al.’s (2004) research was based on focus groups with semi-structured interviews with women volunteers in human services and interviews with their coordinators. They identified eight areas of concern for volunteers around their management including the importance of flexibility in work schedules and not being ordered to do things. They also identified three coordination styles: horizontal with maximum freedom for volunteers; nurturing; and lastly managerial which had minimal freedom for volunteers and focused on policy and procedures. The research emphasised that the most important aspect the volunteers were looking for in the organisation was social contact and team spirit with the horizontal style matching most closely with the volunteers’ perspective on management. The easiest way to alienate the volunteers would be by having an overly



controlling coordinator. Although it was recognised that most managers used a mixture of the three styles, any managerial preoccupation with financial matters would alienate volunteers. This was identified to be difficult for the coordinators who had to consider multiple stakeholders and not just the volunteers. Volunteers wanted minimal red tape, to participate in decision-making and to retain autonomy.

Leonard et al.'s (2004) research also highlighted the problem that the Australian government, through its funding for community service, was able to insist on the shareholder (or corporate model) emphasis; whereas the research revealed that the more optimal horizontal coordination style (closely aligned with the philanthropic model) was highly desirable by volunteers. Such research demonstrated that adoption of public or for-profit sector practices by the not-for-profit sector should not be undertaken without a full understanding of the differences between the sectors and the potential impact on the organisations.

This lack of understanding on the nature of volunteers may be a reflection of the lack of literature in exploring how volunteers should be managed in the governance of an organisation. The ability of volunteers to come and go as they please and have no personal financial loss, coupled with the lack of control their supervisors have over them, makes their position unique and leadership and personal commitment critical. These aspects reflect elements of stewardship theory, which is more akin to the philanthropic model, but little research has explored this dimension.

## 2.6 Summary

The literature on governance is very broad. “Governance” although identified as a social construct, lacks definition. As the not-for-profit sector is very different from the for-profit sector, the governance of these organisations would be expected to be different to that of the for-profit sector. Yet the for-profit governance literature with its dominant agency theory paradigm continues to underpin much of the not-for-profit literature. Many researchers (Bird (2001) Dawson and Dunn (2006) recognise that such a theoretical perspective is detrimental to the sector, yet there has been little attempt in exploring alternate theoretical paradigms that are more closely aligned to the sector such as stewardship theory (Puyvelde et al. (2011).

The recognition that a financial focus is not appropriate for evaluation of not-for-profit organisations creates difficulties when applying the agency theory perspective to this sector’s governance. Nevertheless as Herman and Renz (2004) identified, for-profit “correct” board management practices are expected to be applied to not-for-profit boards as stakeholders perceive a relationship with board effectiveness even though there is no evidence that such a relationship exists. A financial focus is useful in complying with legislation and other government requirements, but it did not match the expectation that board members should exhibit a broad range of accountability measures aligning with their broad stakeholder base, including an ethical dimension to their accountability (Ebrahim, 2003). Control mechanisms such as an independent board (Muth & Donaldson, 1998) and separating the CEO and the chair of the board could lower motivation and increase turnover of volunteer board members in a not-for-profit organisation if the individual board members and CEO are acting as stewards (Davis et al., 1997).

The literature on effective boards identified that effectiveness was a social construct and could only be identified through comparison, with those not-for-profit organisations reliant on individuals' level of commitment to the organisation (Taylor et al., 1991). The literature on organisational effectiveness added to this by recognising the importance of stakeholder perceptions and the literature on performance evaluation re-emphasised the importance of the underlying motivations of individuals on the board. Little research had been carried out on volunteer boards, however as identified by Holland (2002), they are unique in their motivations (or lack of) to be accountable.

As the research focussing on the outputs of governance – the effectiveness of the organisation, has had problems defining effectiveness, it would be beneficial to gain an understanding of the governance structures before moving to the outputs. It is not clear from the research what, how and why particular governance structures would be adopted by a voluntary board in a not-for-profit organisation. They appear to be caught between two extreme paradigms, the government and many stakeholders expecting compliance with “good” governance practices from an agency theory perspective, yet the volunteer board reflective of the individual board members' motivations, psychological contracts and interpretation of accountability, lacking understanding of such a perspective (with the exception of the CEO). With governance also being a social construct, it follows that any understanding of governance practices would also need to be evaluated within a sector. To this end, Chapter 3 examines the literature on governance in the sporting sector as this sector will be examined in this thesis.

## **Chapter 3**

### **Governance and Sporting Organisations**

#### **3.1 Introduction**

Most sporting organisations exist as not-for-profit entities with volunteer boards. With recommendations for good corporate governance emanating from the private sector, the emphasis on shareholders and profit may not be wholly applicable for not-for-profit sporting organisations so following such recommendations may prove disadvantageous to these organisations. This chapter will explore the uniqueness of sporting organisations and the research that has been undertaken exploring governance in the sector. As the focus for the thesis is on Australian sporting organisations, the literature on this specific area will also be evaluated.

#### **3.2 Reasons for the Existence of Not-For-Profit Sport Organisations**

To understand governance in the not-for-profit sector it is important to recognise why not-for-profit entities exist. Their existence has been explained on a number of grounds, with the predominant reason being that they fill a gap left in society by providing programs and services for the benefit of individuals and communities that neither the public nor private sector would fill. This gap exists because the private market and government are not interested in meeting demand that is of a collective, heterogeneous and fragmented nature. This particular type of demand is especially relevant to the sport sector as identified by Deckers and Gratton (1995), with Taylor and McGraw (2006, p. 230) portraying the sport sector as being unique due to its level of “intangibility, heterogeneity and inseparability of production and consumption”.

### 3.2.1 Unique Features

In an effort to explain why most sport clubs are not-for-profit organisations Enjolras (2002) proposed three reasons which also demonstrated their uniqueness. The first was that utility for the members was obtained not with profit, but with the consumption of the good with members also consuming the good. The second reason was that only a competitive market structure will produce the same results for members through either a for-profit setting or a membership setting and as there is no competitive market structure the membership setting was the best option. The third reason was that reliance on other players was necessary to play sport as the activity was produced and consumed by the participants.

The sector is also unique in other respects. Cunningham (2006) and Dixon and Bruening (2005) noted the male dominated nature of the sector (contrary to the female dominated not-for-profit sector generally (Steane & Christie, 2001)) and the long, non-traditional hours that were undertaken. This was furthered by Washington and Karen (2001) who argued that sport organisations constituted their own relatively autonomous field with inequality not only between gender, but also between race/ethnicity and class.

Core groups (the few hard working members who carry out the important work of the board) have been identified as something unique to the culture of sport organisations and were perceived as a requirement for a “positive force for change” (Inglis, 1997b, p. 30). Survey results from Canadian sporting organisations by Inglis revealed that unlike other not-for-profits, sporting organisations did not deal with resource issues through electing “powerful board” members who had influence or contacts to raise

funds, but by criteria of the interest in the organisation and the ability to prove that they could commit the necessary time. This reflected the “traditional culture of volunteer involvement in the amateur sport boards” with their reliance on core groups to get the work done (Inglis, 1997b, p. 30).

The different view of board membership noted by Inglis is particularly important in regards to governance, with the key resource of board members lying not in their ability to access funds, but in their understanding and interest in the sport. This was identified by Mosley (2001, p. 23) as representing the unique sport culture, being built on the motivations of participants who rather than being motivated by profit, were driven by their competitive instincts and being “completely fascinated by the sport”. This explains what some researchers have noted as a distinguishing feature of sport culture with it being perpetuated through employing former players (Babiak & Wolfe, 2006; Smith & Westerbeek, 2007).

Mosley (2001) identified that along with the unique culture, and with most board members unpaid, sporting governance implied a democratic structure with a high level of transparency and accountability and avoiding conflicts of interest. These features of sporting organisations were arguably so significantly different to for-profit corporations that they made the application of corporate governance difficult.

Another unique feature of volunteer sporting organisations is that they are more susceptible to conflicts. While volunteer sporting organisations, like other voluntary organisations, lacked resources and had a low level of formalisation (Amis et al., 1995), when combined with the unique sport environment: different geographical

regions and conflicts between athletes and coaches with respect to either a high performance or “sport for all” focus; the end result is that the organisations are much more likely to suffer conflict.

### 3.2.2 Resource Constraints

Lack of resources is a common feature of not-for-profit organisations. However with sporting organisations there exists great variation in their reliance on public funds, especially at an international level. This impacts on their governance as accountability will be affected. The difference was highlighted in Deckers and Gratton’s (1995) research which found that a difference between British sports clubs that received most of their income from membership dues and sales with little or no public funds to those in the Netherlands which were financially dependent on the government. They argued that the reduction in membership in gymnastics clubs in the Netherlands was due to the sector becoming too close to the government and risking becoming an agency of the government. This meant that the sector tended to lose its voluntary status and became less responsive to the needs and demands of consumers with democracy lacking. Age and size also impacted on the level of democracy with larger and older clubs less democratic. The end result of being less responsive to the needs of the younger consumers meant that the commercial sector could fill the gap, which was found to be the case in the situation of gymnastics in the Netherlands. No such changes were found with the British clubs.

Levels of commercialisation was found to pose a problem to volunteer numbers in Norwegian sport clubs (Enjolras, 2002). This problem appeared to be at a number of levels. Market transactions could not realize ‘shared values’; sport ethics were

difficult to maintain with market forces; and changes in the relationships between members and the organisation, as members changed from decision makers to customers, could erode the “contribution to the social fabric” (Enjolras, 2002, p. 385). Surveys of Norwegian sports clubs and members by Enjolras found that the level of commercialisation reduced the number of non-professionally active volunteers; when more commercial resources were available, they were less willing to volunteer.

### 3.2.3 Problems with Profit

British sporting clubs were found to have challenges of their own in balancing their mission and ensuring the best for their members and in providing the required financial bottom line in reports to funders. These challenges were highlighted by Michie and Ramalingham (1999) in their analysis of UK football clubs which had a company structure. The clubs were found to focus on their bottom line, rather than the interests of their supporters. This was problematic as unlike other stakeholders, supporters were not concerned about the size of net profits, only that the club could continue. From their point of view the club’s success may be maximised by increasing spending on players beyond profit maximisation. Michie and Ramalingham found similarities between this problem with conflicts in other businesses where owners were focused on maximising profits and managers were focused on maximising other variables such as sales growth. They argued that a way around the problem was to enfranchise supporters as stakeholders by making them joint owners (with a mutual form for the organisation or a supporter trust). This agency theory argument (in awarding managers shares in a public company to ensure their motivations for profit maximisation were aligned with shareholders’) may not be so clear cut for sporting



organisations due to their unique features with it being unlikely that motivations to achieve profitable outcomes could easily be aligned.

Shilbury (1993) surmised that before bureaucratisation, football clubs were primarily organised to satisfy utilitarian goals, with winning and the subsequent gratification much more important than profit maximisation. Taylor and McGraw (2006, p. 230) held that those values had not changed with success in voluntary sporting organisations related to “on-field success and participant numbers rather than to operational effectiveness”. The reason the values had not changed was a result of management of the organisation being performed mainly through sport enthusiasts even though the governing body was critical for co-ordination for competitions. Whether profit maximisation was a core focus for stakeholders was a question raised by Slack (2006, p. 125): were stakeholders “really concerned with (or even aware of) poor financial performance and wage levels?” This point was followed up by Hoye and Auld (2001), who argued that voluntary sporting organisations focused on creating social capital (fostering relationships between individuals and a sense of community involvement) rather than profit.

The inappropriateness of conventional governance techniques and structures for UK football clubs was a point argued by Hamil (1999) claiming that it was a social and cultural activity and not just a business. The rapid transformation of the industry changed the relationships formerly built on emotions to those built on economics with many fans voicing discontent. Hamil labelled the intangible nature of the fans ‘fan equity’ and pointed out that it was not explainable in free market economics terminology. The core of this ‘equity’ was built on a sense of shared emotional ownership – about the community and not the individual.

Hamil followed up his research in a joint paper with several other authors (Hamil, Holt, Michie, Oughton, & Shailer, 2004) surveying English Premier and Football Leagues. It was found that less than a quarter of the clubs had an internal audit committee and risk assessment was also lacking. Most clubs agreed they would benefit from a guide to good corporate governance and advice on company law. It was argued that what distinguished football from other businesses was that it had “not-for-profit objectives, supporter-stakeholders and the need for redistribution of income” (Hamil et al., 2004, p. 45), all of which implied that high standards of corporate governance were vital. As the sporting objectives were pursued, management often neglected the business side and this was accentuated with the high media profile of the business attracting “owners more interested in their personal profile than the serious business of running a club” (Hamil et al., 2004, p. 46).

Recognising that very little research had been undertaken on governance in sporting organisations, Taylor and O’Sullivan (2009) examined structural governance across a range of UK sporting organisations. Specifically they were looking to identify the structure and composition of sports boards and to identify the most appropriate structure for the board. In interviewing senior executives they found that there was widespread acceptance that they needed to shift from the traditional representative structure to a corporate style board, however there was agreement to retain some representational element. Consensus on board size was between five and 12 members. On the issue of separating the roles of the CEO and the chairman, although the majority agreed, others supported combining the role, and using non-executive members on the boards was supported.

### **3.3 Relationships**

Without strong financial returns, the only way sporting organisations can exist is through strong relationships with the local community which depends on the number of supporters, corporate sponsors and dealings with local and state government (Babiak & Wolfe, 2006). Governance mechanisms are required to maintain a high level of accountability (and communication) to the community. The ability of the organisation to attract volunteers reflects the level of community relationships; however this has been impacted through the increased level of professionalisation. This area of research has received a lot of attention.

#### **3.3.1 Professionalisation**

The reason the administration of the sector has increased the level of professionalisation has been explained on a number of grounds. Corlett (1997) explored the arguments of philosophers MacIntyre, Saul and Taylor in coming to the view that modern sport management in moving from the volunteer manager to the professional manager reflected the “technocratic global culture from which it springs: formalized, institutionalized (sic) and professionalised” (Corlett, 1997, p. 250) . Democracy in the sector was reduced with the professionalisation of the sport manager: the more educated manager taking over control. Slack (1985) had already recognised that professionalisation was reflective of bureaucratisation after researching a Canadian provincial-level sporting organisation.

Governments are largely responsible in moving the sector towards using professional administrators. An example of this was provided by Slack and Hinings (1992) research in examining changes by Canadian national sporting organisations. The

increased professionalism and bureaucracy was supported by funding from the government, Slack and Hinings used resource dependence theory to argue the impetus for change, and institutional theory to argue the direction of change. However changes in the role of volunteers, in transferring decision making to the professional staff, were resisted. This aspect was further researched by Kikulis, Slack and Hinings (1995). They recognised the “strong commitment to traditional values for centralised decision making with volunteer executives” (Kikulis et al., 1995, p. 278) of national sporting organisations, with any change requiring a pivotal shift in core values. They found that most decision-making remained with the volunteers and although they received professional assistance, it had not moved entirely to the professionals. In a reflection on the Canadian situation, Kikulis (2000) noted the normative pressure applied by the government in Canada’s national sporting organisations for a change to using paid executives and more professional practices. These organisations also suffered economic pressures for accountability, which affected their governance. Not all organisations were willing to change arguably due to their degree of “sedimentation” (how old the firm was and how institutionalised its processes were).

Amis and Slack (1996) were the first to study the relationship between size and organisational structure in a set of voluntary sporting organisations. They found that specialisation of professional staff was significantly correlated with both total income and number of members. However the level of volunteer specialisation revealed no such correlation and it was suggested that volunteer structure was institutionalised with the need for president, vice-president and so forth regardless of size. Technical specialisation (such as the number of teams by age group, gender or discipline) was correlated with total income, but not the number of members. It was suggested that

this might be due to available resources being a limiting factor. Larger organisations did show higher levels of standardisation except in the areas of decision-making procedures and the standardisation of evaluations. It was suggested that this was because volunteers (who acted informally) traditionally operated sport organisations, and had continually resisted the efforts of government agencies to make their organisation more business-like. No significant correlation was found between size and centralisation. Amis and Slack argued that this was because decentralisation of decision-making would involve increasing the responsibility for decisions on professional staff, which was not welcomed by volunteers. It was held that the unique features of the voluntary sporting organisations, particularly the relationship between volunteers and professionals and the issue of control, led to the results of their study differing from previous findings of size and organisational structure in organisations. The most obvious difference was the lack of association between size and decision-making.

### 3.3.2 Volunteers and Professional Managers

Due to difficulties with the relationships between the volunteers and the paid professional managers Amis, Slack and Berrett (1995) argued that volunteer sporting organisations were more susceptible to conflict than other organisations. In their research using semi-structured interviews for volunteers and professional managers around whom a conflict centred, they found that conflicts were not just interpersonal but stemmed from the way the organisation was designed. The escalation of events was often exacerbated by the voluntary nature of the organisation and the professional manager interaction. The lack of resources and low level of formalisation (characteristics of voluntary organisations) also directly contributed to the conflict.

The relationship problem between paid professional managers and volunteers was one explored by Inglis (1997a) who agreed that the dual leadership between voluntary board members and the executive was a significant aspect in not-for-profit organisations. This arose due to the rapid professionalisation of the sector without taking into account the role for volunteers, who had years of sporting experience, as compared to the role for professional staff. Added to this complexity of board relationships, was the question of whether gender differences existed. In pursuing this research, an empirical study of the roles of the board in amateur sport organisations in Canada was carried out by surveying sport organisations' executive directors, volunteer presidents and board members. Through this Inglis identified four factors of board roles in voluntary sporting organisations: mission, planning, executive director (hiring and monitoring) and community relations. Policy setting was also deemed important by volunteers and executive directors, yet significant differences were found between genders in the ratings of importance of the roles. Women perceived mission-related and executive director functions significantly more importantly than did the men, and also rated the mission and planning roles performance higher. This research highlighted the importance of board diversity and the impacts that gender has on differences in perception.

The problem of professionalisation of the sporting sector, argued by the literature to have led to a reduction in power and influence by volunteers, was an area that interested Auld and Godbey (1998). In their research they surveyed national executive directors and volunteer committee members of Canadian national sporting organisations based on social exchange theory (which suggested that people participate due to their expectation of a reward). They found that the perceptions

between professionals and volunteers varied as to who had the most influence over decisions. Although the literature suggested the executives and members of the board should have clearly delineated roles dependent on the decision area, it was found to be a much more complex relationship. They suggested that volunteers may give up influence in decision-making to get pride, esteem and status as rewards (a resource exchange) which made the tradeoffs very complex. They argued that it was critical that decision-making should not be taken away completely from the volunteers (with the increase in professionalism on the board) as this may lead to them becoming apathetic.

### 3.3.3 Performance

Papadimitriou (1999) was the first researcher to examine the actions and practices of voluntary boards in sporting organisations in relation to board performance. Semi-structured interviews were used with Greek voluntary sporting organisations' board members, paid staff, elite athletes, technical staff (such as coaches) and state representatives. Although all the groups identified the critical link between qualities and motivation of the board with its effectiveness; each group perceived the qualities differently. The technical staff believed board members needed to be knowledgeable about the sport and be intelligent enough to make sensible decisions; elite athletes perceived that board members should be past high-performance athletes as they would understand their requirements; paid administrative staff highly regarded motivated individuals with good personal skills and the ability to manage staff; whereas board members viewed motivation and time to spend with the organisation highly. Only one board member recognised the need for professional executives to run the organisation, whereas technical and administrative staff considered it essential. Consistent with

Inglis (1997b), powerful boards were not felt necessary; however a core group often performed the majority of functions of the board.

To find whether executive leadership and organisational culture in Canadian sport organisations impacted on organisational effectiveness, Kent and Weese (2000) used a panel of experts to rate organisations as effective or ineffective (in not fulfilling their mandates). No significant difference was found between the leadership styles of executive directors in effective and ineffective organisations, with all exhibiting transactional leadership styles. Their findings relied on the executive director being the leader of the organisation, but as structurally the role should be of a link to the staff and a facilitator of initiatives, they did question this. Organisational culture was found to be positively linked to effectiveness with organisations that were able to manage change, achieve goals and strive for customer satisfaction being the most effective.

The challenge and impact on board performance in moving from a volunteer-administered organisation to one that was professionally managed, was examined through a case study of a New Zealand national sporting organisation by Ferkins, McDonald and Shilbury (2010). In explaining why a national sporting organisation was chosen (rather than a commercial entity), the uniqueness from a governance perspective of a not-for-profit organisation was emphasised. The findings of the research revealed three factors that impacted on performance: the integration of regional entities into the board's governing role, board members actively working to understand the operational detail and consistency of board maintenance and monitoring (especially of the CEO).



### **3.4 Australian Research**

Little examination or development of theories of governance in voluntary sporting organisations exists in the Australian research. In a book on sport governance written for members of sporting organisations, Hoye and Cuskelly (2007, p. 11) noted that governance in not-for-profit organisations have been “under-theorized” (sic) and then discussed the usual theories (agency, stewardship, institutional, resource dependency etc) and how they related (or did not relate) to voluntary sporting organisations. While recognising agency theory as the predominant theory used in corporate governance, the theory was recognised as largely irrelevant for voluntary sporting organisations, with each of the other theories having limited applicability to voluntary sporting organisations.

In Australia the 1970s and 1980s represented the era for professionalisation of Australian sport management with the need for employing professional staff arising from the lack of skills and time by the volunteers to manage an increasingly complex organisational structures (Auld, 1997). The sporting sector continues to have great economic importance; it is the fourth largest item of household expenditure (Australian Bureau of Statistics, 2006a) receiving increasing levels of government support. This increased government support has been conditional on increased “accountability” and this aspect will be explored in depth in Chapter 4.

#### **3.4.1 Unique Culture**

The significance of a unique sport culture as identified by Mosley (2001) was an area of research taken up by Smith and Shilbury (2004) who found there had been little research on the characteristics of sport and how that stemmed from their cultures.

“These unique cultural characteristics tend to revolve around extremely strong playing achievement and success orientations, often at the expense of other organizational (sic) dimensions such as financial security” (Smith & Shilbury, 2004, p. 134). This was combined with the importance of the collective rather than the individual and the preference for “demonstrably “masculine” behaviour”. Used semi-structured interviews with eight sporting organisations they identified 12 dimensions and 68 sub-dimensions including unique sport dimensions of “rituals”, “symbols”, “size”, “history and tradition” which did not fit with previously identified cultural dimensions, recognising that sport organisations placed a huge emphasis on things such as loyalty and heroic contributions on the field. They also identified that each sport may have its own culture within the overall sport culture.

#### 3.4.2 Volunteer Boards and Professional Staff

Most Australian research is being led by a few sport management academics focussing mainly on volunteer board relationships, particularly with the addition of professional staff such as a CEO. One of the earliest researchers was Auld (1997) who explored whether there were differences in perceptions of decision-making by volunteers and professionals in Australian National Sporting Organisations (NSOs). Auld (1997, p. 18) was critical of the proposed changes such as less representative structures and more corporate style management that may “jeopardise the traditional democratic nature of decision making in amateur sport” and reduce the role for volunteers in decision-making within the NSOs noting that there was no empirical evidence to support the notion “that the continuing presence of volunteers hampers the system’s ability to produce successful athletes” (Auld, 1997, p. 20). In a survey of professional and volunteer administrators from NSOs Auld found that the area of

external management and finance was perceived to be the domain of the professionals with organisational planning and management and activity management the domain of the volunteers. The decision-making relationship was not perceived to be equal with professionals having greater influence, but both groups wanted the other to have the most influence in the future.

Perceptions of the influence between executives and board members, board roles and the relationship with paid staff was an area researched by Shilbury (2001) through a survey of executive directors and board members from state sporting organisations. Sport experience was the most frequently cited area of special expertise of board members and executives. This was viewed by Shilbury (2001, p. 263) as “remnants of past cultures that demanded good performance on the field in order to gain respect” and did not reflect “appropriate governance” as there was no regard to providing a diverse range of skills. Although other researchers recognised that the sport culture was perpetuated by emphasising sport experience as a key resource on the board, which created friction with any financial focus, (Mosley, 2001; Babiak & Wolfe, 2006; Taylor & McGraw, 2006; Smith & Westerbeek, 2007), the link to “appropriate governance” was not made.

In analysing the executive-board relationship, Shilbury’s (2001) research results revealed that although board members and the executives both believed they were the principle source of leadership, board members allowed the executives to exercise more influence and therefore the executives had more control. Empowering governance structures (such as empowering the executives) could be explained by stewardship theory rather than agency theory which focused on control. Executives

included advocacy and community relations as important future board roles, recognising the importance of members' ability to use their networks and standing within the community to create alliances. Shilbury strongly defended that board members were not being marginalised and proposed that although board members were losing the more visible roles of programs and delivery, they needed to perform a more important role in establishing the strategic direction for the organisation and assume "genuine 'director' characteristics" (Shilbury, 2001, p. 277). Stewardship theory requires further research in the not-for-profit sporting sector.

Hoye and Auld (2001) analysed survey and interview data from voluntary sporting organisations and identified that the differences in board performance were related to the performance of board roles including how well the executive-board relationship functioned. Board roles requiring attention were identified as marketing and public relations, risk management and processes of selecting and inducting new board members. No significant difference was found between effective and ineffective boards in board and staff relationships or how the executive officer was selected and reviewed. There was also no significant difference found between the perceptions of executives, board chairs and board members on their board's performance.

Reporting on the same data, Hoye (2002) found that effective board performance was related to a higher level of board formalisation with powerless or fragmented boards related to low performance. The board-executive relationship that worked best was built on trust with the executive controlling information and shared board leadership. This shared role and the central role that was identified for CEOs in effective performance were very different to the roles espoused in the for-profit literature and

reflected the uniqueness of the voluntary sporting sector. Another of the research findings was the identification of a need to adapt not-for-profit governance models for voluntary sporting organisations.

Recognising that volunteers were an essential component of the Australian sport system (being based on a community club structure), Hoye and Cuskelly (2003) followed through with Hoye's (2002) earlier research, identifying that there had been little research on the relationship between volunteers and executives. Reporting on the same data they found that for effective boards the relationship between volunteer board members and professional executives was generally perceived positively. However with ineffective boards although the relationship was still perceived positively, there were elements of mistrust, frustration and conflict, leading the researchers to surmise that trust between the executive and the board was important for an effective board. Board leadership was shared between the executive and board chair in all cases with effective boards also sharing leadership with a senior group of board members. The executive was found to be critical in controlling the information flow to board members and therefore had the potential to impact on board performance, yet in all cases the board chair was considered to be responsible for board performance. The board-executive relationship was perceived to be dynamic, changing with annual membership changes of the board, and subject to continual negotiation.

In exploring board performance further through the leader-member relationships of board chairs and paid executives (leaders) and volunteer board members, Hoye (2004) analysed survey results of state sporting organisations. No significant difference was

found in respondent type and their perception of board performance. It was found that each pairing of types (such as executive and board members) perceived their working relationship similarly. Hoye found that executives and board chairs had a very close relationship and operated as co-leaders. This close working relationship was reasoned to be a requirement that arose from the nature of the roles within voluntary sporting organisations. This may reflect the role of dominant coalitions which have been noted to be a significant aspect in not-for-profit boards (Herman & Tulipana, 1985; Inglis, 1997b). Although there is literature on the conflict between paid staff and volunteers (Auld & Godbey, 1998), this study revealed no such conflict between paid staff and the board chair (who was often elected from board members).

Furthering his research, Hoye (2006) explored how conflict was avoided through developing trust and high-quality relationships through interviewing leaders and members of six Queensland state (voluntary) sporting organisations of high and low performing boards. Of the 12 individuals who were interviewed, five were female which seems to be out of proportion for a male-dominated sector, but no explanation was given. Higher performing boards appeared to have the chair providing the majority of the leadership with a close working relationship with the executive. Relationships were based on trust and respect, with time playing a role as often whoever had been with the organisation the longest, the executive or the chair, took the leadership role. Hoye suggested that for volunteer boards that lacked a strong chair, the board may look to the executive for leadership, perhaps creating a lower level of commitment by the board making it dysfunctional and may explain why it was perceived as having a lower level of board performance. Skills, expertise and knowledge were also cited as being associated with board performance and Hoye

surmised that the perceptions of these qualities by others led to respect. In summary he found that leadership derived either from the board chairs or the executives and that there was a perception that board performance was improved once the individuals developed a mature working relationship with the members.

Following Hoye's (2002) research, Foreman (2006) researched AFL club boards to examine professionalisation within the boards and the impact of governance processes on club performance. Grounded theory was purportedly used, but as it followed the same format as Hoye's data in pre-coding the interviews through the literature (primarily relying on Hoye's work), it was not a classical inductive grounded theory approach. The identified governance practices of the AFL club directors were compared to four effective and four ineffective clubs (identified through a balanced scorecard approach through a combination of factors) to identify common governance attributes. All of the effective clubs had half of their directors younger than 50 years of age, board and CEO tenure was five years or longer, a passion for the club was a desirable attribute and there was evidence of strong leadership. It was noted that no new club was recognised as ineffective, with a possible explanation that the older clubs were not as professional as they had too much "baggage" (such as old constitutions and rules).

In further exploration of board roles, Schulz and Auld (2006) surveyed members of Queensland state sporting organisations comprising of chairpersons and executive directors to find that both positions perceived there was low ambiguity in their roles. When correlated with organisational design they found that the more organic the design (informal and democratic), the lower was the perception of role ambiguity. It

was suggested that this was due to the higher formalised and mechanistic organisational designs imposing control with little flexibility, interpreted as stressful to the individuals, and hence increased their feeling of role ambiguity. Further it was also suggested that the organic organisation permitted collaboration of tasks, leading to a better understanding of requirements and reducing role ambiguity. Tenure and communication satisfaction were identified as related to lowering role ambiguity. The dynamics of the organisation really needed to be understood and it was held that this was a possible direction for future research.

### 3.4.3 Formalisation of Practices

Although Schulz and Auld (2006) identified that increased formalisation was associated with a greater perception of role ambiguity by the Chair of the Board and the CEO, there has been an increase in a requirement for the formalisation of practices in volunteer sporting clubs. Cuskelly, Taylor, Hoye and Darcy (2006) argued that such a requirement was derived from the private sector and driven by funding stipulations from the Australian government. In surveying Australian Rugby Union club representatives they found that although the impact of formalisation of HRM practices varied greatly both between positions and between clubs, the formalised practices were not acceptable for the management of volunteers. Taylor and McGraw's (2006) survey found that few sporting organisations had reacted to the directive to develop formal human resource practices. They found that organisational size was not related to the level of human resource practices adopted, and that the perceived effectiveness of staff/volunteer management was not related to the presence or lack of formal human resource strategies. It would appear that although the



research does not support formalisation of processes for volunteers, it is still a requirement.

In viewing volunteers as a mere resource, researchers such as Hoyer (2002, 2006) identifying that volunteer relationships played an important role in board performance and reduction of conflict, were ignored in the requirement to formalise practices. Recognising that volunteers had been left in a difficult position in understanding how to work with volunteers in the sporting organisation, a group of Australian researchers wrote a book on the topic (Cuskelly, Hoyer, & Auld, 2006). The lack of research in understanding why formal processes were adopted by volunteer sporting organisations led Taylor and McGraw (2006) to concede that survey data was very limited, particularly in identifying the factors that influenced the decision to adopt formal human resource management.

### **3.5 Summary**

The not-for-profit sporting sector has several unique features that appear to impact on its ability to apply governance structures and techniques. A major such feature is that the utility of members is derived not from profit but from the activity (sport) itself (Enjolras, 2002; Smith & Shilbury, 2004). The culture is male dominated (Dixon & Bruening, 2005; Cunningham, 2006), has core groups (Inglis, 1997b) and places a huge emphasis on things such as loyalty and heroic contributions on the field (Smith & Shilbury, 2004). With professionalisation of the sector the relationships between volunteers and paid professional managers were problematic and hence the voluntary sporting organisations were more susceptible to conflict than other organisations (Amis et al., 1995), however relationships appear to be in a state of flux. The unique

features of volunteers in preferring the use of informal structures may reduce the ability of government to make sporting organisations more business-like (Amis & Slack, 1996).

Australian research has largely focused on the relationship between executives and board chairs to determine how well it functions and how leadership and decision-making are carried out with no exploration into the larger picture such as the importance of transparency of governance (Babiak & Wolfe, 2006; Smith & Westerbeek, 2007), why and how organisations are incorporating formal processes (Taylor & McGraw, 2006), the impact of gender (Inglis, 1997a) or other cultural factors. Various countries' governments have had a huge impact on governance on voluntary sporting organisations, and the effect of public policy noted by other researchers (Hamil, 1999; Kikulis, 2000; Washington & Karen, 2001) needs to be explored in the Australian setting. Hence the role of the government on voluntary sporting organisations and its impact on their governance structures is an important factor in understanding what, how and why governance structures are in operation in such organisations. As this thesis is exploring Australian voluntary sporting organisations, a closer look at the Australian context follows in Chapter 4.

## **Chapter 4**

### **Australian Context: Role of Government**

#### **4.1 Introduction**

Australian sporting organisations have become increasingly professionalised over the last decade. Although some pressure for professionalised administrators originated from the sector itself, the government has also played a role in the development, legislation and adoption of stronger governance structures and continues to have a role in what and why governance structures operate in voluntary sporting organisations, however it is up to the organisations to work out how good governance is implemented. This chapter explores the Australian government's role in affecting governance structures and concludes with research questions to be addressed in the thesis.

#### **4.2 Governance**

Historically Australian sporting organisations adopted governance structures from a delegate (federal) system. This system is the most democratic as it has representation from every level within the organisation from club level (the lowest level) through to state level and up through to national level. As Shilbury (1993, p. 123) explained:

*Australian sport has always had the capacity to cater to the masses through its community club-based system. Management of sport in Australia is based upon the delegate system. In other words, each club is represented in the decision-making process at the next level up.*

A national body does not have the real power as that remains with state organisations that make up the national governing body (so it is a bottom-up approach). A potential problem with this system was that decisions for the good of the game were overridden by whatever decisions the clubs felt would best serve them with representatives

unable to see the bigger picture and acting only in their own club's best interest (Shilbury & Kellett, 2006).

In contrast to the federal model, the unitary model had no representation at the national level, with the whole organisation being managed by a national independent board. This represents a top-down approach. A 2004 edition of an Australian Sports Commission (ASC) journal included a report on sports governance structures (2004c) and grouped them into seven models of governance ranging from the federation model to the unitary structure. The terms “structure” and “model” were used interchangeably. The unitary structure had an independent national board consisting of directors independent of the state organisations and was more autocratic than the federal model with all the decision-making power residing with the national board. The fact that the unitary structure was not collaborative or cooperative in nature and run by professionals in a central office was often viewed poorly by volunteers (Shilbury & Kellett, 2006). Although the ASC purports not to advocate any particular model, and recognised that different models may be appropriate for different organisations, the unitary model addressed all the core elements of governance that the ASC identified.

A more recent ASC (2007) guide on governance ceased referring to the federal and unitary models as “models”, instead referring to them as sporting structures. A model implies a framework that is more substantial than a structure of the hierarchy of the organisation.

### 4.3 Government Involvement

The Australian federal government has only relatively recently (1970s) taken an interest in sport and created policies for the sector (such as policies on the governance of national sporting organisations). Previously, sports clubs had relied totally on community support for survival with federal government contributing ad hoc grants (mainly for the Olympic and Commonwealth Games) (Semotiuk, 1987).

#### 4.3.1 Government Policy

Analysing Australian government policy in respect of sport governance of national sporting organisations, Hoye (2003) noted that the Australian federal government has been facilitating the professionalisation of management and governance of the organisations through the use of increased government funding partnered with an increase in accountability (of the use of taxpayers' funds) and a requirement for more efficient and effective governance. Although current government policy affects sport at all levels, as already stated, this was a relatively new development. Prior to the mid-1970s, there was an "unspoken, but deliberate, policy of non-involvement" (Sport 2000 Task Force, 1999, p. 109) by the Australian government. Government funding by the states also began in the 1970s with state departments of sport and recreation being created. In 1974, the Hon Frank Stewart MP, Australia's first Commonwealth Minister for Sport, explained:

*Australian sport is among the most unorganised and uncoordinated in the world...in the past our champions succeeded in spite of our organisation not because of it (Sport 2000 Task Force, 1999, p. 109).*

The lack of government involvement was nationally and internationally highlighted with public backlash at the government when Australian athletes were unable to secure a single gold medal at the Montreal Olympics in 1976, even though the reasons

behind the lack of success were not able to be defined (Hoye, 2003). The government proved its direct commitment to elite sports with the establishment of the Australian Institute of Sport in 1981, which was combined with the Australian Sports Commission in 1987. The Government's approach to policy involved:

- *recognition that successful international performances contributed to national pride;*
- *acknowledgment of the social benefits of having a fit and active population; and*
- *acceptance of sport and recreation as important factors in the lifestyle of Australians* (Sport 2000 Task Force, 1999, p. 110).

The creation of the Australian Institute of Sport for elite athletes was argued by Hoye (2003, p. 211) to be a policy problem that was “framed as bureaucratising and rationalising the control system for elite sport”. After a number of sources identified poor governance within national sporting organisations, the federal government was forced to create a policy response. Poor governance practices became obvious when some national sporting organisations failed to meet the requirements to access government funding in the early 1990s generating research by the ASC and workshops for presidents of national sporting organisations on issues facing the sport. Highlighted problems formed the basis of a report to the Standing Committee on Recreation and Sport (SCORS) in 1997 with part of the report focussing on governance reform. The lack of effective governance was held to be the reason sporting organisations were unable to capitalise on sponsorship, merchandising or even communication. Hoye (2003, p. 214) argued that by this SCORS was making an “explicit link that ineffective governance was leading to ineffective organisational performance”.

As the federal government could only fund national sporting organisations, the ability of the federal government to use funding as a means of control for sport organisations was very limited (Hoye, 2003) because most organisations operated under a federal structure, in which although the state organisations were members of the national entity, each operated with an independent governing board. This limited the ability of the national sporting organisation to influence the outcomes of the state organisations. This federal structure was perceived to be the cause of ineffective governance. The Commonwealth government implemented a Management Improvement Program in 1998 providing funds to national sporting organisations for specific governance issues. This continued as a Governance and Management Improvement Program, including on-line resources such as *NSO Governance: Principles of Best Practice* (Australian Sports Commission, 2002c) which was based on Carver's (1990) policy model. Hoye (2003) argued that part of the problem with the government's policies was the lack of empirical research on sport governance in Australia to assist the ASC, with member representation systems not a focus of research into not-for-profit governance.

An independent taskforce (2001) released its report expressing concern that the government's and corporates' sponsorship focus was on funding for elite sports which left the community sports struggling. This problem with sponsorship for community sports was also recognised by Sport and Recreation Victoria (2000) in their *Business Information Series*. The Commonwealth Government directly countered this in the release of their 2001 policy *Backing Australia's Sporting Ability A More Active Australia* (Commonwealth Government, 2001, p. 1) with their centrepiece "a new strategy to increase community participation in sport". Excellence in sports

management remained an explicit goal in the policy through the “adoption of sound business and management practices by national sporting organisations”

(Commonwealth Government, 2001, p. 7), including performance targets for national sporting organisations with regular evaluation of progress towards achieving goals in governance.

The increasing administrative burden on sporting organisations was recognised by the Independent Taskforce (2001). In order to address administrative requirements, organisations were shifting “from a community group ethos to one now resembling a small business”.

*Sporting and recreational organisations are seen to have a responsibility to the broader community as a service provider, however they are also required to operate as a small business might. While some community organisations have embraced a professional approach, others have been forced to severely reduce the services offered in order to survive* (Independent Taskforce, 2001, p. 5).

The government did not address that problem in its 2001 policy, nor in its 2004 policy *Building Australian Communities through Sport* which was built on the same aspects as the previous policy.

In 2008 an Independent Sport Panel was convened with very broad terms of reference to determine whether there was a need for reforms to the sporting system so that both elite and community level sport were supported. This culminated in the Crawford Report<sup>6</sup> (Crawford, 2009). Of interest is the difficulty noted in obtaining any meaningful data on the level of participation, or even money spent by all levels of government on sport. Hoyer's (2003) issue with a lack of empirical evidence to assist

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<sup>6</sup> David Crawford was experienced in such reports, completing one for the AFL restructure in 1993 and for Soccer restructure in 2003.



the ASC had not been addressed. The most recent data on money spent by government of \$2 billion was obtained from the 2000-01 Australian Bureau of Statistics with only 10% provided by the federal government and the most (50%) provided by local government. The report was strongly in favour of a unitary structure for sporting organisations to make them more efficient; however it was strongly opposed to the ASC's governance principle, Principle 1.5 (Australian Sports Commission, 2007), for national sporting organisations on the separation of powers requiring the CEO not to be a member of the board.

*This is a diminished view of the role of management. It is wrong and goes to the heart of the huge challenges facing sports... The old style of sports organisation might still be appropriate to a local sporting club where the management is part-time or volunteer. But it is completely wrong in a professional management environment where the executive team is responsible for developing strategies and negotiating commercial arrangements with sponsors, governments and media organisations. Here, the role of the board is to appoint, support and challenge the executive team but it is the executive team that drives the business... And as is the common practice in the corporate world, the CEO should be a member of the board. (Crawford, 2009, p. 25)*

The Government's response to the Crawford Report was released in the form of a policy in 2010: *Australian Sport: The pathway to success* and was declared to represent a change to a "whole-of-sport approach to sports policy" (Australian Government, 2010, p. 1) focusing on boosting participation. This was backed by \$1.2 billion in funding over four years (with a large part of that going to the ASC). In examining participation for children through the education system, enhancing community participation through social inclusion, supporting disabled and the indigenous, the policy also specified women and girls as an area requiring attention. Although noted that only 25% of the national sporting organisation's board membership was female; the support offered was only for participation in sport. This differed from the previous government policy which explicitly promoted the need for

more women on boards. Although the new policy was pronounced a “whole-of-sport approach”, it was mainly directed at participation in sport with governance receiving only a small mention with two of the recommendations from the Crawford Report receiving the same reply:

*Recommendation: The Australian Sports Commission should make the adoption of appropriate and national skills-based governance structures that reflect the diversity of membership a funding condition for national sporting organisations.*

*Recommendation: All national sporting organisations that are highly dependent on public funding should have rolling five-year national plans that set the targets and measures by which the national sporting organisations should be judged.*

*Same response: The Australian Government supports this approach which will be addressed by the Australian Sports Commission through funding agreements which include support for enhancement of national sporting organisations’ capacity, governance and planning, and the prioritising of participation outcomes. (Australian Government, 2010, pp. 15-16)*

The issue of the CEO being a member of the board as discussed in the Crawford Report (Crawford, 2009) along with other principles of good governance espoused for national sporting organisations, such as Principle 1.7<sup>7</sup> (Australian Sports Commission, 2007), received even less commitment:

*Recommendation: The Australian Sports Commission board and executive leadership should be reconstituted to ensure that the right skills are in place to meet the Australian Sports Commission’s new objectives. The Australian Sports Commission board should be reconstituted with no more than eight non-executive directors plus the chief executive officer as a board member. Board members should be chosen on a skills basis but with relevant and diverse experience and a truly national perspective. A chair and chief executive officer who can best bring the skills and vision appropriate to the new challenge should be appointed.*

*Response: Supported in-principle. In recognition of the significant leadership role played by the Australian Sports Commission (ASC), the Australian Government will reinforce this role, and task the*

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<sup>7</sup> This included that the board consist of between five to nine directors with skills and expertise for their role.

*ASC with overseeing the development and implementation of the Government's integrated and whole-of-sports vision going forward, including the National Sport and Active Recreation Policy Framework. The Australian Government has confidence in the skills and experience of the ASC Board and senior executive staff and will make further appointments, including that of ASC Chair, and assess board structure to ensure alignment with the Government's new integrated whole-of-sport approach.*  
(Australian Government, 2010, p. 13)

#### 4.3.2 Australian Sports Commission (ASC)

The ASC, a statutory authority of the Commonwealth of Australia, is responsible for the funding and development of sport. The ASC manages several organisations the Australian Institute of Sport which trains elite athletes and teams; Sport Strategy and Participation representing the link between government policy and sport; Corporate Operations for the business side of operating the ASC; and lastly Sports Development, which provides advice and funding to national sporting organisations (NSOs) for the development of sporting excellence and to increase participation. To be eligible for funding, the NSO must be recognised by the ASC, and as part of that recognition criteria (Australian Sports Commission, 2009), the organisation must follow a governance structure consistent with the ASC's governance principles of best practice. NSO Governance must cover three areas: strategic goals and directions, monitoring performance to achieve strategic goals, and acting in the best interests of members. Accountability is viewed as part of effective governance as well as effective decision-making; however the term is not defined other than in the publication for NSOs *Governance Principles* for best practice (2007, p. 1) as an obligation to explain any departures from best-practice principles. This implies accountability is achieved through compliance. To ensure all NSOs are aware of the governance principles, the ASC produces a paper (available on its website), detailing the governance practices expected of its members (Australian Sports Commission, 2007). With such an

emphasis on governance, the ASC's website also included cases on the governance of surf life saving and athletics, but these were not updated after 2002 and have since been removed from the website. This is reflective of the shift in policy focus by the government.

The governance principles developed by the ASC reflected input such as that from Rauter (2001), a sports management consultant to the ASC, who argued that good governance was essential for sustainable performance and hence should be a goal for all administrators. The board should be skills-based, not representative-based, with clear delineation between the roles of directors (who decide on policy) and management (who carry out the policy). The focus of governance should be the board. Using this information the ASC funded a Management Improvement initiative in 2000, which provided assistance to 40 national sporting organisations over its first two years, involving governance reviews and other management improvement projects which included developing governance principles.

The Australian Sports Commission (2005, p. 1) in the report *Governing Sport — the Role of the Board* began by stating that “there is no commonly agreed definition of governance” and after citing a variety of definitions failed to prescribe to any definition, but identified that it was “an important ingredient in ongoing growth and success of an organisation”. It recognised that governance was more than the board as it also included legal owners (members) and the CEO. This was represented with a diagram sourced from the Australian Institute of Directors which illustrated the relationships between stakeholders, owners, the board and the CEO. Separation and delineation of responsibilities between the CEO and the board was clearly depicted.

The board was represented as being responsible for compliance with all legal requirements and assisting the organisation in achieving its potential. The CEO was responsible for operating the organisation.

The report identified that most Australian sporting organisations operated under a federal structure where the role of the national board was to govern in the best interests of sport as a whole for all stakeholders. Board members had a legal duty to the national board and a moral duty to all stakeholders with their loyalty to their state associations taking second place. In decision-making, board members were expected to act independently of their state associations. Three key groups of stakeholders for boards of sporting organisations were identified: legal owners or members (for example state associations are legal owners of the national body, and players or clubs are the legal owners of the state organisations), moral owners (players, coaches and others with an interest in the sport), and those with whom the organisation had a business relationship (employees, companies, funding bodies, paying customers or others with a contractual relationship). The board was accountable in the first instance to legal owners and then to its moral owners. Those with a business relationship had their accountability based on the nature of the relationship (often by contract). This would mean the national organisation was accountable to state associations, not the other way around. Volunteers and fans were not separately identified. Many direct quotes from Carver (1990) were included in the report and as Hoye (2003) identified, the principles espoused followed the policy governance model of Carver. The report was extremely critical of sport organisations that included councils as part of their governance structure. Councils had meetings between the annual general meetings and directed the board. Such input from members was viewed disparagingly, as it

could interfere with board decision making and lead to “confused duplication of governance responsibilities” with “council members having unrealistic and often unreasonable expectations of their actual power” (Australian Sports Commission, 2005, p. 28).

The latest updated governance principles to which an NSO should aim to comply (or it would not be recognised as a sport by the ASC) is detailed in *Governance Principles: A good practice guide for sporting organisations* (2007). In providing a definition of governance: “Governance is the system by which organisations are directed and managed”, it also directly acknowledges that “it is commonly accepted” that governance impacts on performance (Australian Sports Commission, 2007, pp. 1, 2). Hoye (2003) identified that the ASC continually used such statements even though they were not empirically validated.

The ASC increased the number of principles from five in its earlier paper on best practice (Australian Sports Commission, 2002c) to six with the addition of ethical and responsible decision making. The original five remained largely unchanged (changes included in brackets): clear delineation of governance roles (board composition, roles and powers), effective governance (board) processes, effective governance controls (systems), governance improvement (board reporting and performance) and member responsiveness (member relationship and reporting). Another addition was in the details to the principles where it was noted that the NSO should be incorporated as a company limited by guarantee under the *Corporations Act* (2001). This was explained as a necessary requirement for any organisation that was incorporated in one state and carried out business in a different state, and because the *Corporations Act* (2001) was

more comprehensive and “provides clarity in areas otherwise silent within the *Association Incorporation Act*” (Australian Sports Commission, 2007, p. 4).

The governance principle (Principle 1.5) of clear separation of powers between the CEO and the board follows Carver’s (1990) policy model, despite the scathing attack by the Crawford Report (Crawford, 2009). Principle 1.7 advocated that although the board should be structured to reflect its constituency, a representative board was not necessary, as members with expertise and skills should be sought. The size of the board was specified to be limited to between five and nine directors. In the earlier paper (Australian Sports Commission, 2002c) the structure of the board was further clarified with a statement that all NSOs should aim for equal representation of men and women on their boards by June 2005 due to Commonwealth government policy. Interestingly there was no such clarification in the new governance principles, reflecting the change in government policy.

#### *4.3.2.1 ASC Statistics on National Sport Organisations*

As part of its on-line documentation supporting governance, the ASC included research that it carried out on the structure of NSOs through two “snapshots”, one in 1996 and the second in 2002 (which were comparable only in the broadest sense as the sample was different and the questions asked were not identical). However no further “snapshots” were undertaken and these have since been removed from the website.

The 1996 “snapshot” was created from surveying 57 sports (Australian Sports Commission, 1996). They found that the majority, 72%, were incorporated and only

24% were companies limited by guarantee, leaving 4% that were not incorporated. Slightly less than half, 46%, had changed their legal structure over the previous five years (1991-1996). The reason for this quick change in structure was identified as the requirement for sporting organisations to be incorporated as an association or company for recognition by the ASC. There was some concern with the low level of skills and knowledge on the board with the view was that most organisations should have the ability to add experts to their board as the need arose, yet the majority, 54%, had no ability (through their constitution) to add experts to their board.

The next 2002 “snapshot” was created from surveying 32 sporting organisations (Australian Sports Commission, 2002d). This time all the organisations were incorporated with 28% limited by guarantee and 72% incorporated under various state incorporation acts. Very few NSOs had structural changes between 1997 and 2002, which was explained by the limited timeframe, with the recognition that it took time to initiate and implement changes. Best practice (as pronounced by the ASC) of between five and nine directors on the board appeared to be taken up by just over half (58%) as they had six or seven board members. However as the previous snapshot in 1996 had not surveyed this aspect, it was difficult to know whether the organisations had changed the number of board members in line with best practice or if they always had boards of that size. Another best practice noted was a regular review of the board; and although 57% had not carried out a review, it was noted this could be another timing factor as regular reviews were normally timed with an update of a strategic plan which occurred every three or four years. A lower figure of 39% had no risk management strategy (another point of best practice). Equal representation of males and females on the boards was being overlooked; female representation on boards was



low with only 18% of board members surveyed being female, with a token female on many boards. Eleven out of 32 boards had no female representation, with two boards (Women's Golf and Netball) having all women representation and 14 boards with only one female representative.

The ASC also included on its website case study summaries from organisations (athletics, hockey and surf lifesaving) that had undergone a change in their governance structures. These again have since been removed but as they are useful in understanding the changes in governance in the sporting sector they are discussed below.

#### 4.3.3 Cases

##### *4.3.3.1 ASC Case – Athletics*

The Australian Sports Commission (2002b, p. 1) explained that a major reason for the decline in performance by athletes since the 1956 Olympic Games was the “ineffective and inefficient governance system” as Athletics Australia had not kept pace with its increasingly challenging environment. This was addressed by Athletics Australia when changing its governance system in 1999 by creating a ‘corporate board’ with directors from a predominantly business background who were independent from the member associations. The member associations had refused to be a part of the restructure which led to a compromise of a Commitment Deed to integrate the roles. Little Athletics refused to join the Australian Athletics Federation. It was reported that there was an impressive growth in revenue raised in the two years following the establishment of the board in 1999, however the corporate style of the new board was not welcomed by the athletics community as it was perceived to be out

of touch with the grass roots of athletics and did not understand the spirit of athletics.

It was recognised that

*achieving change in Australian sporting organisations is very difficult under current structures, and that when change does occur, it often comes about only after the organisation is almost on its knees, and has undergone a long, debilitating and divisive period of argument on the matter* (Australian Sports Commission, 2002b, p. 4).

The solution to such a difficult change process was held to be the development of “rigorous and defensible strategic plans” which would recognise the need for structural change at an earlier period and would therefore avoid “divisive squabbling” however it would require “considerable maturity and selflessness on the part of the key players” (Australian Sports Commission, 2002b, p. 3). The old board needed to be congratulated on its selflessness in “sacrificing itself for the good of the sport” (Australian Sports Commission, 2002b, p. 4), but the new board needed to forge linkages with its grass roots membership to succeed.

Ryan (2002) continued this case study on-line for the ASC with an interview with the CEO of Athletics Australia hailing the benefits of the restructure and calling for all small NSOs to follow suit. Annual revenue had increased from \$5 million in 1999 to \$12 million in the 2001-02 financial year, which led to the payment to member associations of more than \$600,000 compared to \$70,000 in the previous year. To achieve this states had to give over complete management authority and responsibility for nine areas of the organisation. The CEO was “intrigued by the prevailing and historical attitude in Australia that sees multiple layers of government as the only way forward” (Ryan, 2002, p. 2) admitting that there were vocal minorities who fought hard (unsuccessfully) to limit the authority of the national body. A central authority

with state organisations as branches of the national body was argued to be a much better system than a federal body plus state bodies.

#### *Athletics – developments post case*

Although the case study implied that the new structure of athletics was a much better system, time revealed that the new board was not accepted by key stakeholders.

Athletes became more vocal with some athletes approaching the media and one Olympic medallist sprinter (Lauren Hewitt) requesting the resignation of the CEO of Athletics Australia while on the podium at the 2004 Olympic Games trials (Gearin, 2004). This outcry along with the posting of a \$1.3 million loss in 2003 by Athletics Australia and discussions with stakeholders and Athletics Australia, prompted the ASC to instigate a review of the sport in 2004. The review was headed by Herb Elliott (a former Olympic track medallist) with terms of reference including the governance systems (Australian Sports Commission, 2004b). The review recommended significant changes to the structure, coaching and governance (Australian Sports Commission, 2004a). Arnott (2004) revealed that almost half of the funding from Athletics Australia was from the federal government through the ASC, funding which was at risk if the review resulted in no change. Following the review, in an effort to save on costs, 23 professional coaches did not have their contracts renewed which led to Cathy Freeman (Olympic medallist runner) being reported through the media as “fuming” at the emphasis on finances over experienced coaches: “people are our most important resource” (Hurst, 2005, p. 96).<sup>8</sup> This highlights the emphasis placed on profit and the continual conflict with the human resources that make up the sport.

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<sup>8</sup> The board of Athletics Australia in 2007 consisted of nine directors, seven male and two female with five of the directors not being competitive athletes (Athletics Australia, 2007), with one less male director in 2011 (Athletics Australia, 2011)

#### *4.3.3.2 ASC Case – Hockey*

In another case study put on-line by the ASC, Phillips (2002) explained how hockey avoided a “merger meltdown”. They had to amalgamate women’s and men’s associations in 2001 or risk disaffiliation from the International Federation of Hockey, which would mean they would not be permitted to play in the Olympics. Women were the most fearful of the merger as they had worked hard to build their profile and did not want to lose any staff or corporate relationships. The resulting board was formed with equal representation: the result was portrayed as positive with an increase in member base and pool of skilled volunteers, reducing duplication and giving the organisation greater weight in dealing with institutions and the media.

#### *Hockey – current situation*

Again time has shown that the positive portrayal may have required a bit of fine tuning as a new constitution was written in 2003 which included a minimum of 35% of the board's elected membership of one gender (rather than 50%). This was followed with another constitution in 2009 which permitted 10 members on the board with a minimum of three from each gender. It should be noted that currently there are nine directors on the board, three females and six males (Hockey Australia, 2011).

However the principle of equity is still very strong with all operating committees having to maintain a gender balance and all resources specified to be allocated evenly between men and women’s programs at all levels (Hockey Australia, 2006).

#### *4.3.3.3 ASC Case – Surf Lifesaving*

The Australian Sports Commission (2002a) in a case study on the governance of surf lifesaving in Australia described how through funding from the ASC's Management Improvement Program, training and workshops in governance for all state surf lifesaving organisations were arranged. As surf lifesaving is a volunteer organisation, maintaining relationships at the grass roots level and hence looking after its members was considered important. Reorganisation of surf lifesaving at the national level began in 1994, with the CEO reworking the plan in 1997, with a new strategic plan developed in 2000 after assistance from the ASC. State training took place in 2002 and the new governance policy was adopted in 2003. The workshop format was considered to be very successful with the addition that it was important to get strategy right before working on structure. Surf lifesaving was very determined to look after its grass roots membership, refusing to change anything that would affect its membership with the justification that its governance program was sport specific.

#### *Surf Lifesaving – current situation*

Some fine-tuning of surf lifesaving governance led to the strategic plan of 2000 being reviewed in 2004 and a new document adopted. The state and territory centres were identified as the owners of Surf Lifesaving Australia under a very strong federal model. The peak policy and decision-making body was confirmed as the Australian Council, which was made up of a national president and the seven presidents of each state and the Northern Territory, plus the directors of the three operational areas (11 males in total). The presidents and directors remained as volunteers.

#### *4.3.3.4 Other Governance Reviews*

Other cases of significant ASC governance reviews are noted below reflecting points that were highlighted through other media than the ASC website (journal articles, the media and the sport organisations' websites).

##### *Case – Australian Football League (AFL)*

Shilbury (1993) explored Australian Football League's (AFL) development from a democracy in the early 1980s (when it was the Victorian Football League<sup>9</sup>) to a professional sport (dominated by bureaucracy), a significant change because bureaucracy would not always sit easily with democracy. Democracy required "plurality, equality, rotation of office and elections" whereas bureaucracy required "unity, hierarchy, chain of command, duration of office, and the appointment of decision makers" (Shilbury, 1993, p. 122). Democracy, even though it was the foundation of the Australian sport's community club-based delegate system (where each club was represented at the next level up), was problematic as it was perceived that decisions for the good of the game were overridden by the club's own interests. Shilbury (1993, p. 124) criticised the culture at that time as being "one of amateurism and voluntarism" with an informal structure and decisions being made by inexperienced volunteers. Personnel were employed based on their knowledge of the game and as football clubs were primarily organised to satisfy utilitarian goals, profit maximisation was not an important goal. Winning and the subsequent gratification were more of a concern. The club culture developed through mythical legends and rituals meant that players were "controlled"<sup>10</sup> through their passion for their club.

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<sup>9</sup> Name change to Australian Football League took place in 1990 signalling interest in national competition.

<sup>10</sup> Shilbury refers to this as "humanistic control" – people are sociable and desire satisfying work.

This all changed in 1984 with the creation of an independent commission responsible for governance, creating tension between the commission and the clubs. This move to bureaucratisation and a “new corporate culture based on commercialisation” (Shilbury, 1993, p. 123) was due to growth in the 1980s with the AFL becoming the most financially powerful professional sporting competition in Australia. During that time the AFL employed specialised personnel in marketing, finance, senior management and football development. The culture changed as bottom-line trading results became more important, and with commercialism, bureaucratic forms of control became the norm with the introduction of standard player contracts and salary caps. The club’s role in decision-making was reduced. “It is likely that, in the future, the importance of culture [as a means of control] will become secondary to that of bureaucratization (sic); however, it will nevertheless remain critical” (Shilbury, 1993, p. 131).

David Crawford (commissioned by the Australian Sports Commission) was asked to review the AFL administration as it suffered “dwindling crowds, clubs on the brink of bankruptcy and a lack of national vision” (Cullen, 2003, p. 75). His report was released in 1993. The 1984 original commission referred to by Shilbury (1993) had powers to administer competition but required approval by the clubs for major items such as expansion, mergers and relocations. Crawford’s 1993 commission had all those powers in addition to other powers transferred from the abolished board of directors. The constitution provided for up to eight Commissioners to be appointed, a Chairman appointed by the Commission and a CEO appointed by the Commission who must also be a Commissioner. The Commission was restructured once again in 1999 and it now has seven areas of executive responsibility.

Even with all of these reviews, the AFL is far from perfect. The Institute of Chartered Accountants (ICAA) reported annually on AFL clubs and in 2003 they found that transparency was lacking in the financial statements (Mazzocchi, 2003). Fitzsimmons (2003) followed up the report by interviewing Geelong's AFL president who believed that members should be treated as stakeholders and welcomed the call for greater transparency while recognising that all clubs may not be equal in their treatment of members. In the 2005 ICAA's report on the findings of their corporate governance survey of AFL clubs it was noted that there was a low standard of governance (Lisle, 2005). This was of concern as the AFL clubs were multi-million dollar operations. Forty percent did not have a formal risk management policy and more than a quarter failed to have adequate business plans.

Attempts at increasing female representation within the AFL (equal representation was a goal of the Australian Sports Commission) received a critical response from the media. Smith (2005) wrote a scathing piece on the appointment of a woman as a commissioner for the AFL. He argued that a woman was targeted for the position as half of the AFL spectators were female, but it was as a manufactured appointment as "normal protocols – read prejudices – within the AFL would never allow the election of a woman to the commission" (Smith, 2005, p. 53). The new woman commissioner had never played AFL and "critics choked on the word woman" (Smith, 2005, p. 53). If the appointment was about representation then state representation had been ignored within the commission as Western Australia had no representation (even though they had two teams). These arguments reveal that the culture to employ people who have played the sport is still strong, even with many changes to the governance and administration of AFL. This highlights that after 20 years (since the first



commission) the conflict between the utilitarian goals and the financial bottom-line is still evident.

#### *Case - Soccer*

In 2002, the ASC commissioned an independent review into Soccer Australia's structure, governance and management: the Crawford report (Crawford, 2003). This arose from members' equity being negative \$2.6 million in 2002, and political infighting at national level and state level reflecting mistrust and disharmony. A strictly independent board of six directors was proposed under a new constitution for the national body, with the immediate appointment of an interim board. Clear separation of roles of the board and management was required to be established, with the CEO only an observer on the board. Enabling a more democratic and representative approach and aligning all the states with the national structure would help to unify the sport in both 'mind and matter'. A \$15 million package by the Federal Government through the ASC was tied to adoption of recommendations from the Crawford report (Football Federation Australia, 2003). Discussing the Federal Government's pledge Solly (2003) noted that a new businessman was put in place to revive the Australian Soccer Association into a "lucrative and well run" association. The Minister wanted to see proof that the game was managed properly and the money was being spent wisely – requesting proper accountability.

It took years for the new constitution to take effect with a new board and new constitution announced in 2007 (Football Federation Australia, 2007) with the final three of the nine state body members elected (all male and replacing a female). The

governance structure is now similar to the AFL (which was also set up by David Crawford) with an independent commission to run the sport.

#### *Case – Australian Rugby Union (ARU)*

An independent review into Australian Rugby Union's (ARU's) governance was carried out in 2004. The need for such a review arose from the dominance of the board (and constitution) by NSW and to a lesser extent Queensland. An independent board such as the AFL-style commission was suggested as an alternative. Governance had not changed since 1949 and "some" regarded the "ARU's governing structure as an anachronism, which was prone to parochialism and self-interest" with a need for "reform to comply with modern business practices" (Harris, 2004, p. 22). The ARU accepted the changes to the constitution to take effect in 2006 (ARU, 2005). The independent board required that directors, appointed based on skills and expertise, would have to step down as directors of member or affiliate unions to avoid conflict of interest.

#### *Case – Touch Football*

Australian Touch Football Association underwent changes in its governance structure during 2004, following a review, to a modified unitary model (with an independent national board). The reasons behind the change were identified by Shilbury and Kellett (2006). Touch Football had grown out of community interest with a volunteer administration but had developed into a very large and "increasingly professionally delivered and organised sport" (Shilbury & Kellett, 2006, p. 281). With 15 different associations throughout Australia claiming affiliation to the Australian Touch Association, management and collection of affiliation fees inefficient, an independent

board with a single line of management accountability was warranted. The major disadvantage of an independent board structure was held to be psychological with individuals unhappy at the loss of independence, control and level of participation, and volunteers less willing to volunteer with an organisation that was run by professionals from a centralised office. There were problems in employing former volunteers due to the high variability in skills and knowledge; however the success of the sport relied on the relationship with the community, so volunteers remained an important component of the sport. This case highlighted the difficult trade-offs that sporting organisations must assess.

The unitary structure that was adopted in June 2005 was modified as two of the largest states (NSW and Qld) refused to submit to the structure and retained their state governance. Rather than referring to the unitary model which had been challenged by many members, it was referred to as a Unified Management Model (Touch Football Australia, 2011).

### *Overview of Cases*

The major trigger for independent reviews appeared to be a financial crisis with the end result being an independent board to govern at the national level. However this has created conflict within the organisations as the change in culture from utilitarian in getting satisfaction from the sport, to a greater focus on the financial bottom-line has been difficult. This is even more difficult with the heavy reliance on volunteers, especially at the club level.

#### **4.4 Sporting Sector Within Australia**

Australian Bureau of Statistics data reinforces the uniqueness of the sporting sector as compared to other volunteer sectors. The most recent data available from the Australian Bureau of Statistics on volunteers was conducted as part of the General Social Survey in 2006 and was a Voluntary Work Survey (Australian Bureau of Statistics, 2006b). This was the third time such a survey had been conducted on volunteers (the first being in 1995 and the second over four quarters in 2000). This data has been dissected many times in many different forms by the Australian Bureau of Statistics with reports created on volunteers, social trends and sport and physical recreation.

The report on social trends (Australian Bureau of Statistics, 2008) specified that just over one-third (35%) of Australians undertook voluntary work (22% of the population who volunteered at least once in a 12-month period were women compared to 19% men); one quarter of volunteers were involved in the sporting sector, with more male volunteers than female (52% compared to 26%). The report on sport and physical recreation (Australian Bureau of Statistics, 2011) revealed that 1.7 million people (11% of the population) were involved as volunteers in sport and recreation which was the highest proportion of all sectors. Hence sports organisations accounted for 25% of the total number of volunteers in Australia in 2006.

A more detailed report on volunteers (Australian Bureau of Statistics, 2006b) found that rural areas had a greater percentage of volunteers with South Australia, Tasmania and Western Australia reflecting a similar pattern and NSW and Victoria showing the greatest difference. A household with children aged 5 to 14 years was more likely to

be represented by volunteers (of both sexes) in the sporting sector. Sport volunteers dominated the age groups 35-44 and 45-54. Employed people were more likely to be involved, which may reflect the younger age group and the male dominance of sport volunteers. Reasons for being a sport volunteer were predominantly personal or family involvement (43%), or personal satisfaction (42%). The predominant reason for other volunteers was helping others or the community (57%), while only 53% of sport volunteers gave this reason. Sports volunteers were more likely than other volunteers to have incurred expenses which were not reimbursed. The most common type of sports for volunteers was soccer (25%), and then water sports (10%) with bowls, cricket and netball equal (7%). Over half (54%) of the sport volunteers were involved in coaching or refereeing. Sport volunteers were involved in a much higher proportion than other organisations in clerical and administration roles (37% compared to 28%) and management and committee work (32% compared to 27%) which reflected the high reliance on volunteers for governance in sporting organisations (Australian Bureau of Statistics, 2011). In summary sport volunteers in Australia are more likely to be male, employed full-time, have children aged five to 14 years, live in areas other than capital cities, involved in coaching or refereeing and are also likely to be involved in the sport in an administrative or management role.

## **4.5 Discussion**

### **4.5.1 Disparity**

As discussed in Chapter 3, Australian sporting organisations have a unique culture, heavily reliant on volunteers, dominated by males, and dependent on a collaborative setting with a high amount of input from all members. Voluntary sporting organisations reflect a dependent relationship between the CEO and the chair of the

board, rather than the independent relationship advocated by Carver (1990). Although the separation of roles between the board and the CEO appears to be a particularly important principle of good governance that the ASC has advocated and is enforcing for NSO's through its governance principles, the *Future of Sport in Australia* (Crawford, 2009) denounced it with Hoyer (2002) arguing that research had not found a causal link between the relationship of power between the executive and the board: it did not guarantee success or failure. The link between effective governance and effective performance has also not been supported in the voluntary sport setting, yet is an explicit assumption of the ASC's literature.

Although the government may be limited in its ability to enforce its principles beyond the NSOs, it does not appear to be successful even at that level. Equal representation by males and females is an obvious principle not followed by the NSOs, even those that have recently restructured with much publicity. For example Soccer Australia, Athletics Australia and Touch Football all have predominantly male directors. *The Senate Inquiry into Women in Sport in Australia* in 2006 reported that in NSOs there averaged one female for every seven males, and even the ASC had only 30% of females on the board (Senate, 2006). However it should be noted that in 2011 the ASC board was equally split with males and females. The government (and ASC) have since changed their policy and no longer explicitly promote gender equality on NSO boards.

There appears to be some disparity between the ASC's ideals of good governance and reality, even with the added incentive of funding that is tied to "improvement" of governance. There is little if any, empirical evidence to suggest that the adoption of

Carver's policy model is beneficial to an organisation. The ASC's encouragement for bureaucratisation is understandable as the ASC can only control the NSO boards and hence those boards need to be in control of their state boards and the clubs under that. However when the ASC promoted equal gender representation on the boards it appeared to conflict both with the drive to bureaucratisation and the natural culture of the sports sector and has since been dropped. Limiting board size to a maximum of nine directors appears to be a struggle for most boards especially if representation is sought. Larger boards were a feature of the philanthropic model, and small boards were a feature of the corporate model (refer section 2.4). The size of the board is at the maximum of nine for Athletics, Soccer and Hockey but that number is exceeded with ARU and Surf Lifesaving. Volunteers are being sidelined for professional administrators, yet it has been shown that the culture and love of the sport has been a feature that has improved performance (whereas governance has not done so).

The focus on accountability has not been one that has been pursued in the empirical research on governance in sporting organisations. Reference to accountability has been in the context of financial accountability such as CPAs and ICAAs issuing statements on defining not-for-profits for accountability purposes. The focus on stakeholders, which has always been central to not-for-profit organisations, also has been overlooked in empirical research. The critical stakeholders in not-for-profit sporting organisations are the volunteer members; they have the highest level of involvement in governance of all the volunteers across all sectors. The impact of this group within governance has not received attention.

Volunteer organisations are supposed to be based on democratic ideals and this may create problems in trying to incorporate bureaucratic ideals, yet little research has been carried out on how such conflict is addressed in the voluntary sporting sector. Denhardt (1989, p. 188) details the differences between democracy and bureaucracy as follows:

*Democratic ideals focus on substantive values such as individual rights, liberty, justice and equality. Bureaucratic ideals are more instrumental, focusing on procedures and means such as efficiency, economy, standardization, hierarchical authority structures, accountability systems, impartiality, and due process.*

It would be interesting to find out at a state level the impacts on governance that the sporting organisation has to bear in managing volunteers and complying with NSO demands and how that impacts on the dynamics of the organisation.

Many researchers have called for more qualitative research in this field to obtain a richer data set (Amis et al., 1995), with Inglis (1997a) suggesting that future research should include asking volunteers to explain how their expertise and previous experience impacts on their perceptions of board roles. Taylor and McGraw (2006) noted that qualitative methods would be useful in adding an explanatory dimension to the research, particularly the factors that influenced the decision to adopt particular governance structures.

#### 4.5.2 Questions

From the above discussion it is clear that there are many unanswered questions about governance in the voluntary sporting sector. It is clear that the Australian Government's policies, as operationalised through the ASC, encourages the adoption of sound business practices such as skills-based independent boards with the view that



effective governance will impact positively on performance (Rauter, 2001; Hoye, 2003; Hoye & Cuskelly, 2003). The ASC was unable to define governance in 2005, and although it has since decided on a definition (2007), the principles it has espoused and the importance of financial performance do not appear to be readily accepted by the sporting organisations as demonstrated by the case studies (Shilbury, 1993; Ryan, 2002; Shilbury & Kellett, 2006). Determining whether sporting organisations have the same problem with defining governance as the ASC, whether they follow the publicised principles and whether they place such importance on financial performance are all issues that need to be explored.

Although there has been a considerable amount of literature on the professionalisation of the sector and the impact on board roles with a recognition that individuals are central to the performance of the organisation, the focus has been from a managerial perspective reflective of the control dimension of agency theory. In an effort to move the research forward this thesis will use an inductive approach, beginning the development of a theoretical explanation of governance in not-for-profit volunteer sporting organisations, by exploring the issues from the organisation's perspective (reflective through the whole organisation and not just the management of the organisation) through the main research question:

*What do members of volunteer sporting organisations understand as governance for their organisations and how and why are particular governance structures implemented?*

The question is very broad and will require other questions to tease out any themes and identify possible theoretical explanations behind the adoption of those structures.

Other questions that may be considered to help answer the broad question are discussed below.

As governance has been identified as a social construct which can only be understood in context, the very first question to ask any organisation is:

*What do you define as governance?*

Unique features of the not-for-profit sporting sector appear to impact on the ability to apply governance structures and techniques, such as the utility of members derived not from profit but from the sport itself (Enjolras, 2002; Smith & Shilbury, 2004).

With volunteers preferring the use of informal structures, and with formal accountability considered detrimental (Gray et al., 2006), the ability of government to make the sporting organisations more business-like (Amis & Slack, 1996) may prove difficult. This is similar to the difference between the traditional model of governance (Houle, 1960) and Carver's (1990) model which has been used in the ASC's literature supporting governance in sporting organisations. Therefore a question that may be asked of the organisations is:

*Have you been directed towards using any particular governance structures?*

Professionalisation of the sector has led to difficulties in the relationships between volunteers and paid professional managers with voluntary sporting organisations more

susceptible to conflict than other organisations (Amis et al., 1995), however relationships appear to be in a state of flux. Some organisations have ceded control to the CEO with stewardship theory a possible explanation (Shilbury, 2001). This relationship is worthy of exploration:

*What is the relationship between the CEO and the board of directors?*

Effectiveness of the board and the organisation has received a lot of recent research, mainly through surveys which developed into self-assessment surveys after Herman and Renz's (1999) explication that effectiveness was a social construct. Effectiveness is reliant on the ability of the not-for-profit organisation to fulfil its mission, which is much more difficult to define than a financial goal. Any attempt at formal measurement of effectiveness could be perceived as "echoes of corporate approaches to accountability" and may not reflect the actual organisation's achievements (Gray et al., 2006). Hence it would be interesting to explore whether the organisations have attempted any form of performance measurement of effectiveness which leads to the question:

*How is effectiveness or performance measured?*

The broadening of governance from a focus on the board to encompassing stakeholder relationships that took place in the corporate sector (OECD, 2004) would be expected to be well-established in the not-for-profit sector as sporting organisations are member-based, being created by and for the community. Accountability of the sector

relies on transparency and recognition that the sport is functioning as it should. This raises two different interlinking questions:

*How do you manage relationships with your stakeholders?*

*How does the organisation communicate/account to its stakeholders?*

Volunteers taking on a governance role have encountered an increase in formal accountability through the new public management focus (Leonard et al., 2004) requiring a focus on efficiency which is often incongruous to the volunteer's psychological contract. This leads to the final area of exploration:

*Are there any particular issues in relation to volunteers and governance?*

Exploring the question of what, how and why governance structures are employed by voluntary sporting organisations will provide greater understanding of the applicability of corporate governance practices to the not-for-profit sector along with developing the theories that explain practice.

## **4.6 Summary**

This chapter has explored the Australian context of volunteer sporting organisations and found that federal government policy has impacted on NSOs' governance structures quite significantly. How this translates to impacting on the state sporting organisations, especially where they remain under a federal (delegate) system, remains to be seen. To explore the dynamics of the governance structures in a holistic

setting, case studies of voluntary state sporting organisations will be undertaken. The methodology underlying such an analysis follows in Chapter 5.

## **Chapter 5**

### **Method**

#### **5.1 Introduction**

This chapter describes and justifies the research design and associated methods to be used in this research. Building on previous chapters that revealed little holistic research or theory development in the area of governance of sporting organisations, this is used to justify the application of a grounded theory approach with interviews as a primary source of data. Analysis of the interviews through qualitative techniques is explained.

#### **5.2 Theory Development**

The review of the literature on governance and not-for-profit organisations (Chapter 2) revealed the broad nature of the research with little theory development in not-for-profit governance. The two conflicting governance board models (Houle, 1960; Carver, 1990) were designed from consultants working with not-for-profit boards without recourse to a theoretical base. This lack of theory development along with the shortcomings of governance research to explain governance practices in the not-for-profit sector have been recognised by researchers to be a direct result of the methods used (or not used) in researching the sector. In relation to not-for-profit sporting organisations a paucity of in-depth studies resulted in a very narrow view of governance in operation (Turnbull, 1997; Huse, 2005; Pye & Pettigrew, 2005) while Ferkins, Shilbury and McDonald (2005) noted it to be the primary reason for the limited understanding of governance. Research with a reliance on survey questionnaires has dominated the literature. This reliance was explained by Jackson and Holland (1998) as a resource issue as surveys were less time-consuming than

other methods such as semi or unstructured interviews. With little in-depth knowledge of the differences in governance within the not-for-profit sector, corporate governance concepts used in for-profit businesses were being applied as the default and incorporated into the questionnaires.

Some researchers identified a general lack of understanding of the not-for-profit sector, suggesting the use of interviews as a research method (Heracleous, 2001; Pye & Camm, 2003; Parum, 2005; Roberts et al., 2005) to help overcome this deficiency. They argued that in contrast to questionnaires, in-depth interview responses particularly through open-ended interviews should be able to elicit a more specific understanding of the sector. Other researchers were keen to have more qualitative research of any form in an effort to obtain a richer data set of the sector (Amis et al., 1995; Inglis, 1997b; Ferkins et al., 2005; Taylor & McGraw, 2006).

Although sport has unique features (Chapter 3), these have not been incorporated in any theory development (Slack, 1985; Inglis, 1992; Ferkins et al., 2005). Little research has been undertaken on voluntary sport organisations, which, in Australia, are primarily membership based (Slack, 1985; Hoye, 2003; Hoye & Cuskelly, 2003; Doherty, 2006; Taylor & McGraw, 2006). The foundation for “good” governance was based on that identified in the for-profit literature which was largely explained through agency theory (so aspects such as independence were prioritised). This limited understanding may explain why (as noted in Chapter 4) when the ASC was encouraging adoption of Carver’s model (a general model for a not-for-profit boards primarily based on the for-profit view of governance), voluntary sporting organisations were not adopting the model (Hoye & Cuskelly, 2003).

Theory development which explains governance structures and behaviour in not-for-profit sporting organisations requires a firm understanding of governance as it operates within the sector including any unique aspects of governance (Inglis, 1992; Amis et al., 1995). As qualitative research design is “oriented toward exploration, discovery and inductive logic” (Patton, 2002, p. 55) and is “carried out for the purpose of discovering concepts and relationships in raw data and then organising these into a theoretical explanatory scheme” (Strauss & Corbin, 1998, p. 11) it is suited to exploratory research with less well-developed theoretical underpinnings.

One data collection method used in qualitative research is the use of in-depth interviews with those knowledgeable about the issues and current practices.

Interviews are a central component of a holistic approach which is arguably critical to the development of research in this area. An approach that appears appropriate to fill the void in the literature, and of particular use where there is little theoretical development, is grounded theory as it is a method of thinking about and studying social reality (Strauss & Corbin, 1998).

### **5.3 Researching a Social Construct**

The research in this thesis is undertaken with the view that there is no objective truth when individual perspectives are presented on issues of governance. This follows the arguments put forth by Berger and Luckman (1966, p. 27) when they point out that reality should be viewed as

*what is ‘real’ for the members of society...what people ‘know’ as ‘reality’ in their everyday, non- or pre-theoretical lives. In other words, common-sense ‘knowledge’ rather than ‘ideas’ must be the central focus for the sociology of knowledge. It is precisely this ‘knowledge’ that constitutes the fabric of meanings without which no*



*society could exist. The sociology of knowledge, therefore, must concern itself with the social construction of reality.*

Each perspective reflects an individual's construct of reality (Berger & Luckman, 1966; Hines, 1988; Patton, 2002), a construct that is compounded by governance itself being a social construct (Carver, 2006). As Herman and Renz's (2004) research on not-for-profits confirmed, stakeholder groups experienced and perceived the organisation differently, therefore, any form of 'truth' could only reflect a consensus among those involved in the research. Even so, Berger and Luckman (1966) explained that common sense 'knowledge' can be objectified through such things as archival data (language) and institutionalisation (common recognition of the way things are done; a system of social control). Through these constructed objectivities, knowledge can be passed through generations.

Not-for-profit sport organisations have created their value from being a social asset, as part of the culture of society (Hamil, 1999; Hoye & Auld, 2001) rather than from any profit or business motive, and can be recognised as a social construct (Sotiriadou & Shilbury, 2010). Any effort to understand such organisations, therefore, must be from within their social context. Interviews with personnel from sporting organisations will directly reflect the interviewee's interpretation of their social context thus providing an ideal source of data with the opportunity for an increase in the depth of understanding of the organisation (Neuman, 2000). Archival data also provides a different angle to the rich source of the 'language' (Berger & Luckman, 1966; Hines, 1988; Patton, 2002) of the organisation. The archival data prepared by the organisation not only evidences the 'language' of the organisation that is presented to all stakeholders, but it can further such understanding by adding a broader dimension

to the data. For example, the change from a federal model to a unitary structure for a sporting organisation requires quite a significant shift in thinking. Interview data could ascertain why individuals agreed to the change with interviews with specific personnel possibly identifying particular problems that were not known previously. Archival data such as President and CEO statements in the annual report may further such understanding.

#### **5.4 Research Design**

As already identified, a qualitative research design will be used, with findings generated from interviews and archival documents obtained from fieldwork. The inductive analysis to be applied in this research does not rely on prior assumptions of what will be found in the data (Patton, 2002).

As has been explained, an understanding of governance structures and behaviour in sporting organisations is critical to this research so a naturalistic inquiry will be used. This inquiry method examines phenomena in their natural setting and uses unstructured or semi-structured interviews (rather than predetermined responses of questionnaires and the like) (Patton, 2002). This will be coupled with purposeful sampling with cases specifically chosen for their information-richness to generate the required in-depth understanding rather than generalisations.

Use of a grounded theory approach provides great flexibility in data collection as the need for further collection and the type of data is decided from analysis of the data already collected. Analysis and data collection are interwoven and take on an iterative process. However there has to be a starting point, and in this case it is the initial data

collection that will provide some understanding of the role of governance in voluntary sporting organisations. Hence, data collected from the first interview conducted, with a planned longer, less structured interview than those that may follow, will be critical. The coding and further analysis of that first interview will shape the analysis of the next data collection and so forth (this is further explained in Figure 5.1).

Diverse characteristics of the cases will ideally be used as a basis for choosing the organisations required for the data collection and for choosing the personnel to be interviewed. In using heterogeneity sampling (maximum variation) the emphasis is on identifying common patterns as those that “emerge from great variation are of particular interest and value in capturing the core experiences and central, shared dimensions of a setting” (Patton, 2002, p. 235). Groups chosen to minimise or maximise differences will lead to different theoretical perspectives. Minimising differences leads to the generation of basic properties, whereas maximising differences leads to the identification of fundamental uniformities of greatest scope. Maximising differences will be chosen for this research wherever analysis of the data permits, as this will provide the greatest diversity of characteristics.

Only a small number of cases will be required as purposive rather than random sampling will be used to the point of “saturation”. The initial criteria to be used to select cases are maximum difference with other cases, and willingness of respondents to discuss issues in an interview with the researcher. The latter criterion is imposed through the requirements of the University ethics process with the interviewees required to contact the researcher to express their interest in being interviewed after an initial email request is sent to the point of contact for the organisation. No direct

contact with potential interviewees is permitted. All the sporting organisations will be chosen from within the one state (Tasmania) to reduce the differences arising due to location including different state regulations.

#### 5.4.1 Grounded Theory

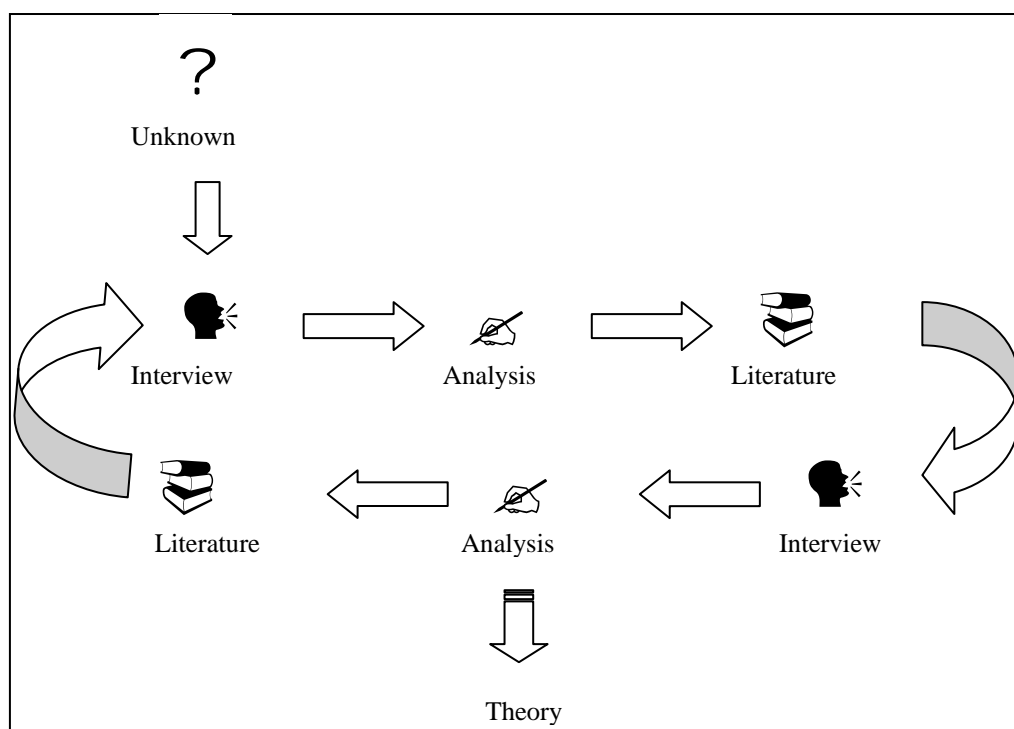
Due to the nature of the research question (what, how and why), the lack of established theory to explain current practice and the exploratory nature of the research, a grounded theory approach has been identified as the most appropriate method to use (Sotiriadou & Shilbury, 2010). Glaser and Strauss (1967) first explicated grounded theory as a means of focussing researchers on the development of theory rather than merely testing pre-existing theories and forcing data to fit theory. Thus emerging theory would direct subsequent data collection (Goulding, 2002).

Theoretical sampling (a subcategory of purposeful sampling) will be used; with data collected because of its potential theoretical relevance for category development. Theoretical sampling is essential with exploratory research as it enables the researcher to sample for the greatest theoretical return. Such sampling is cumulative. As data are chosen to the point of a category's theoretical "saturation", sampling becomes more specific over time. "Saturation" is the point at which no new evidence can be elicited from the field to add to the theory, but there is no precise way of knowing when that point is reached. When similar incidences reoccur through diverse data saturation is considered to be reached.

A typical application for grounded theory is through interview data where it can be initiated by an initial interview conducted with a key person. The text of the interview

is analysed to identify and summarise the themes (through coding). The literature is then checked to identify if there is any support for the themes and then a subsequent interview with another key interviewee from the same organisation is undertaken in an effort to explore development and further support for the themes. This is done by analysing and comparing the data with the literature and the previously collected data to begin to fill in gaps. This process is continued until the themes are “saturated” or there is a high level of agreement. The output of the process should be theory or at the least, some theoretical explanation. An overview of the process is shown diagrammatically in Figure 5.1.

***Figure 5.1 Overview of Grounded Theory Application***



Hence grounded theory is an inductive research method where research informs theory (Neuman, 2000) as theory is “derived from data, systematically gathered and analysed through the research process” (Strauss & Corbin, 1998, p. 12). In this way

the theory should come to resemble the reality of the interviewees. As theory is derived from the data it is more “likely to offer insight, enhance understanding, and provide a meaningful guide to action” (Strauss & Corbin, 1998, p. 12). This will provide a solid foundation when there is little understanding of the area under analysis.

Grounded theory has been recognised as ideal to use in understanding socially constructed related processes that are abundant in the sport sector (Sotiriadou & Shilbury, 2010), and as has already been identified the sports governance area has minimal theoretical underpinnings. Theory development requires concepts which will be found through analysis of the data from a process such as that shown in Figure 5.1 with “making comparisons, asking questions, and sampling based on evolving theoretical concepts (being) essential features of the methodology” (Strauss & Corbin, 1998, p. 46). In this way theoretical concepts will be sifted out through a developing reiteration of applying newly discovered concepts to the literature and the next round of interviews.

Grounded theory has been criticised for its positivist approach, even though Strauss and Corbin (1998) held that it was a method of thinking about and studying social reality. Charmaz (2005) criticises grounded theory in its claim to report reality objectively without explicitly identifying the researcher’s input (as the researcher’s prior experiences drives interpretation). Despite the criticism Charmaz identifies benefits from using grounded theory with a constructivist viewpoint:

- a) *theorizing is an activity;*
- b) *grounded theory methods provide a way to proceed with this activity;*
- c) *the research problem and the researcher’s unfolding interest shape the **content** of this activity, not the method (emphasis in original);*

*d) the products of theorizing reflect how researchers acted on these points. (p. 511)*

Glaser (2002) has responded to such criticism by explaining that grounded theory is able to find objective reality through the constant comparison method and theoretical sampling (Figure 5.1). Personal bias is rendered less of a problem through the examination of different cases with the data jointly collected and coded. This is followed by conceptualisation into categories and properties, which make the interpretations abstract. These categories are objective if they are then compared to data from different participants. The end result is that personal input from the researcher is predominantly removed and hence, Glaser argues, the data has become objectivist and not constructionist and therefore “(c)onceptual reality DOES EXIST” (emphasis in original) (Glaser, 2002, p. 31).

Language was recognised by Berger and Luckman (1966) as a means of objectifying data in a way that others could interpret, and in doing so detach the individual from the original context. This is similar to Glaser’s claim that coding and categorisation along with constant comparison objectified the data. Viewed in this way, grounded theory does not have to be viewed as having a positivist approach, and so it can be a method of thinking about and studying social ‘reality’. This ‘reality’ will always be bounded by the context from which it was generated – the common-sense ‘knowledge’ of the participants.

Notably, a grounded theory approach precludes the use of the classical case study design (Yin, 2003, 2004) due to the lack of theoretical propositions at the outset. Yin is very adamant that cases within a classical case study design are specifically chosen

to further a pre-existing theory, not to develop a theory. Although grounded theory may not meet the prerequisites for *classical* case study design, it is still recognised as a type of case study method (Eisenhardt, 1989; Tellis, 1997a, 1997b, 1997c). The use of a case can be viewed as merely dictating the unit of analysis (Patton, 2002) – this could be an individual person or a whole organisation.

Following the literature, multiple units of analysis (cases) with an embedded design are to be used in this research. Each state sport organisation (such as State Netball) is the case, and embedded within each case are individuals (such as the State President and General Manager) representing his or her relationship to the state sport organisation. The majority of archival data applies to the organisation as a whole, so provides a solid basis from which to validate interview data from various individuals.

#### 5.4.2 Interviews

The aim is to use an unstructured interview approach initially and segue into semi-structured interviews throughout the data collection process (though the interviewees will not be restricted by the interviewer if responses pertain to aspects of governance relevant to the research question) to develop an understanding from a social constructivist viewpoint. This elicits the greatest amount of information for theory building for grounded theory. As the research is focussed on understanding governance in the participating organisations (following naturalistic inquiry), structured interviews are not considered appropriate. Although structured interviews facilitate analysis, they provide less flexibility in exploring issues raised by the interviewees. Using a grounded theory approach requires maximum flexibility in the questions asked so that theory can evolve. Unstructured interviews offer the greatest



scope, and will be used for the very first interview to gather some understanding of the issues in the sector. This interview will inform the further interviews with a semi-structured approach used. These types of interviews require more time for analysis and interpretation after the interview than more structured interviews due to the variety of questions and answers (Wengraf, 2001). With a grounded theory approach each interview needs to be analysed after it is completed and before the next interview so that themes can be developed (Figure 5.1).

Initially a board member of a Tasmanian state sporting organisation will be interviewed. Data analysed from that interview will be used to choose the next interviewee (general manager, another board member or a different member of the organisation). To begin each interview members of the organisations will be questioned on their views of “governance”, hence directing the interviewees from the outset on the overall theme. Their response to the initial question will lead the researcher to ask further questions to develop themes. If the interview loses direction then semi-structured questions (Appendix F) will be used to re-direct it. The questions will become more focused after analysis of each interview as themes emerge. All interviews will be audio taped so that full attention can be given to the interviewee over their one- to two-hour duration. The semi-structured questions will emanate from the major themes identified from the limited literature available (as reflected in the questions in Chapter 4) with the critical question being the interviewee’s understanding of the construct of “governance” because that construct will underpin their interpretation of the other questions as well as their unsolicited responses.

Complementing the interview data is archival data (extant texts) to be collected from each of the organisations being studied. This data should relate to matters such as the organisation's constitution and annual reports and where possible, information relating to governance structures and practices. This written archival data is essential for triangulation of the data through providing further information supporting analysis of the interview data, or alternatively revealing anomalies which need to be explored and could then be used to direct further data collection. The organisation's constitution reflects deliberation on behalf of management and is always confirmed by the members (and usually a legal representative), hence it is an important piece of evidence as it reflects the 'language' of the organisation and can be used to confirm or question interview data. Similarly the chair of the board's and general manager's statements in the annual reports reflect how the organisation portrays itself to all of its stakeholders; the information provided could provide additional background information, which may again confirm or question the interview data. Hence archival data is essential in validating the interview data and providing greater depth. Interview data reflects only the interviewee's perceptions, whereas the archival data reflects many others' perceptions and more importantly, reflects the carefully considered perception that the organisation is trying to convey to all stakeholders.

## **5.5 Research Process**

Interviews will be taped (with the permission of the interviewee) and these will be transcribed and the data will be analysed and initially coded through open coding. Open coding is where "concepts are identified and their properties and dimensions are discovered in the data" (Strauss & Corbin, 1998, p. 101). Those conceptually similar in nature will be labelled as themes. As maximum differences in data collection is

being sought where possible (depending on the data analysis), there may be a number of “outliers” that will not be able to be categorised. It is important that outliers are not ignored as they could trigger variations of the theory or alternative explanations (Strauss & Corbin, 1998, p. 269). If any outliers are identified they will be summarised and the important points extracted.

After the very first interview, the data will be analysed and coded and checked against any literature in the area to see if there are any consistent elements. The findings from that analysis will then be compared with later responses from other members in the same organisation to check if the themes remain valid across different interview data. Once some agreement is established, these themes will then be triangulated with the archival data to check if they remain valid or if there are any inconsistencies in the data that can be identified and followed up. The literature will be scanned to ensure that there are no elements that have been missed. The next interview data is then analysed and reviewed for the themes as is the matching archival data for that level of interview. This constant comparison and code refinement (as themes are verified or questioned) through each point of data collection continues up to “saturation” of the codes. Saturation will be reached once the codes have been refined and applied to sample groups from a broad range of data and similar incidences reoccur (Goulding, 2002) so the codes do not need to be refined any further.

Memorandums will be taken directly after the interviews and as the data is analysed further (Appendix G is the first memo taken after the first interview). These will cover notes about the interviews, thoughts and operational notes and provide an audit trail for reliability.

## **5.6 Theory Development**

Comparison with existing literature is an integral step in grounded theory building. If the literature identifies any elements that match with the emerging theory this would build internal validity, whereas conflicts between the literature and the emerging theory may provide an opportunity to identify unique features of the theory or lead to deeper insights. Both types of literature would raise the theoretical level and sharpen construct definitions (Eisenhardt, 1989). Once the theory is developed, or even a theoretical explanation is identified, if it could be shown to be consistent with elements of the literature then it would be easier to be accepted as valid (Dey, 1999).

## **5.7 Evaluation of the Research – Validity and Reliability**

Central to any research undertaking is ensuring research findings are accepted with appropriate measurement and analysis of the data and with findings that can be replicated. However researchers appear to be divided on how to test qualitative research. Some believe that the same quantitative tests and canons can be applied to qualitative research with some redefining, remaining wary of the positivist research paradigm they represent (Golafshani, 2003). For example, Corbin and Strauss (1990) redefine the quantitative canons of consistency as that obtained through theoretical sampling, and verification as being fulfilled in terms of the constant comparison method in the context of grounded theory.

Golafshani (2003) in a review of the literature, identified that while many researchers argue that reliability and validity from the quantitative paradigm should be redefined when using qualitative research methods, the exact terms differ with each researcher. Where qualitative researchers differed from the quantitative paradigm's tests,

reliability and validity were not viewed separately, so that terminology that encompassed both of them such as credibility, transferability and trustworthiness were used. Denzin and Lincoln (2005) argued similarly from the constructivist paradigm.

However, many other researchers, including the founders of grounded theory (Glaser & Strauss, 1967), have incorporated quantitative paradigm tests, albeit with some adaptation. These tests will be applied to the current research as described below.

### 5.7.1 Validity

Within quantitative research, validity refers to ensuring the means of measurement is accurate so that what was intended to be measured is being measured (Golafshani, 2003). This could be adapted to qualitative research with questioning whether the research was “measuring the kind of ‘truth’ it hoped to measure” (Winter, 2000, p. 10). Within grounded theory, researchers are validating interpretations by the constant comparison method, constantly comparing one piece of data with another. The theory generated from the initial interview data is validated by comparing it to other interview and archival data, and by presenting it to the interviewees for their reactions (Strauss & Corbin, 1998). Validity can be divided into three different types: construct, internal and external validity.

Construct validity refers to ensuring the basic constructs are trustworthy. Hence care must be taken to ensure data collection is not based on subjective judgements. The use of triangulation methods will be used to reduce potential bias (Golafshani, 2003) as multiple sources of evidence are used (discussed further below). Memorandums as

part of a chain of evidence will be kept and interviewees requested to review their interview transcripts and the final data analysis (Yin, 2003).

Internal validity refers to ensuring the results reflect what they are intended to measure. The research problem is used to identify particular interviewees and they will be permitted to speak freely following their own knowledge structures (Stenbacka, 2001); the interview data will be reviewed by the interviewees to ensure that it was recorded accurately; an independent second coder will be used to check the coding of the researcher (Pandit, 1996) and differences reconciled. The second coder will not be involved in the research and will be provided with the codes and an explanation of how to categorise the data using the codes. That individual will then be given the transcribed interview data to code without any interference. The primary and secondary coder will compare results and discuss any differences. If there are differences then it may mean the codes need to be refined or reassessed. Once both coders come up with similar results for the same data then the results are internally valid.

External validity refers to ensuring the results are generalisable. This is not relevant to this research as the findings of such naturalistic research cannot normally be generalised to the larger population (Pandit, 1996). The findings relate to the cases and this is always a limitation with such research if generalisability is sought. As the focus of this research is to understand and provide more depth to governance in the not-for-profit sporting sector, generalisability is not a focus.

### 5.7.2 Reliability

Reliability is central to quantitative research in ensuring the findings are able to be replicated. Within qualitative research this can be analogous to the quality of the study with its purpose being to explain (Golafshani, 2003). The quality of the study can be considered through its “dependability” (Lincoln & Guba, 1985, p. 300) or “trustworthiness” (Seale, 1999, p. 266) through consistency of the data. This encompasses having the interviewees checking their transcripts; having an independent second coder for the analysis; using memorandums on codes, theoretical thoughts and operational notes; and triangulation of data.

### 5.7.3 Triangulation

Triangulation involves using several data sources to gather information, rather than rely on the one source. Both validity and reliability of the research can be improved through the use of triangulation. Multiple measures of the same phenomena provide greater validity than a single measure as triangulation combines data or methods (Neuman, 2000; Patton, 2002). Of the four types of triangulation identified by Patton (2002) (data, investigator, theory and methodological), data triangulation will be used. Interviews of board members from different levels within an organisation will be used initially to determine and strengthen the categories identified through the coding. One interviewee would provide their own interpretation of their organisation. Where this interpretation is corroborated by interviews from other personnel at different levels within the same organisation it provides a stronger interpretation that it reflects the reality of that organisation. Where interviews from personnel within the same organisation conflict with each other it leads to further questioning as to the reason for the conflict.

Documentary analysis of archival data will be integral in the research design as the analysis of the data unfolds. Archival data is also used to validate the information gathered from the interviews and may provide a further need for more data collection if any inconsistencies between the interview data and archival data are found. As already mentioned, archival data is the coalescence of many personnel's interpretation of the organisation and reflects the public face of the organisation. In contrast to interview data, which is current and reflective of an individual's initial responses, archival data is often dated and reflective of many hours of careful planning and consideration by many personnel. Where it supports the interview data it offers a very solid support. For example, an interviewee may state that the change to the unitary structure has been extremely difficult for the organisation and there has been no support from the national level with nothing in the constitution that states any reporting relationships with national level. Verifying statements about the constitution can be achieved by obtaining that archival data, with other archival data such as statements in the annual reports of the state organisation as well as the associations may support the assertion that the unitary model has been difficult and question the support from national level. Any archival data by the national level may reflect on this and help explain the problems. This would provide solid report to the interview data and gives added depth to the data.

## **5.8 Summary**

In this chapter the need for qualitative research in the not-for-profit sector and in particular in the volunteer sporting sector due to the lack of understanding of the sector was identified. To provide a detailed understanding of the sector it was considered that in-depth interviews of relevant personnel along with an examination



of archival data would provide the necessary detail and a rich data set. Exploring what, how and why governance structures are in operation in an organisation through analysing the data through a grounded theory approach will identify possible theoretical explanations. Confirmation of the findings/explanations with the interviewees will further validate the results. Data collection and analysis are reviewed in the next chapter.

## **Chapter 6**

### **Data Collection and Analysis**

#### **6.1 Introduction**

In this chapter data collection and analysis methods adopted relating to four Tasmanian volunteer sporting organisations used in this study are described in detail. As explained in Chapter 5, the organisations were contacted and interviews were conducted with any relevant documentation (constitutions and annual reports) collected. This chapter discusses that data and explains the analysis of the data using a grounded theory approach.

#### **6.2 Obtaining Data**

Volunteer sporting organisations were sourced from within Tasmania to reduce the differences arising due to location including different state regulations, with Tasmania chosen due to convenience and statistically similar to other states (as documented in Section 4.4). Tasmanian volunteer sporting organisations were sourced through the Tasmanian Department of Sport and Recreation website (Tasmanian Department of Sport and Recreation, 2007). Only State Sporting Organisations are permitted to be listed on the website. To be a State Sporting Organisation, an organisation must be accredited by the relevant National Sporting Organisation (NSO) as being the state body representing the sport.

The 10 Tasmanian State Sporting Organisations that were listed on the Tasmanian Department of Sport and Recreation website (Tasmanian Department of Sport and Recreation, 2007) and that had email contacts (Appendix A) were contacted by email requesting contacts for interviews for a discussion of their governance structures and

processes (Appendix B). A follow up email two weeks later resulted in five organisations agreeing to participate in the study: Netball, Soccer, Touch Football, Surf Lifesaving and Hockey. Hockey subsequently requested an extension of time for the interview due to the sudden death of its Vice-President. Due to the researcher's time constraints this interview was not followed up. The organisations that chose to be involved were sent an email, information sheet and consent form (Appendices C, D and E) to forward on to board members with potential participants replying directly to the researcher<sup>11</sup>. As each interview was analysed, potential new interviewees were contacted in a similar way.

#### 6.2.1 Interviews

Interviews were carried out in three stages. In the first stage an interview (with the State President of Netball) was used to identify the initial themes and coding which was then checked against the literature to identify whether similar themes were present. Netball was chosen because it was the first organisation to respond to the request for an interview, and the State President was chosen due to the belief that she had the greatest knowledge of governance in the organisation.

The second stage triangulated and further developed that data with archival data and interviews from other board members from different levels (to aid with triangulation of the data) from within the same organisation with interviewees chosen after analysis of the previous interview. For example the interview with the State President of Netball highlighted problems in financing and change and hinted at relationship problems particularly with their Associations, so the next interview was with the

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<sup>11</sup> This follows the University ethics procedures and received ethics clearance.

Association President. Similarly the interview with the State Programmes Manager and State General Manger were derived from themes analysed from each previous interview. Each of these interviews were used to check the reliability of the data and explore whether the themes identified remained valid, refining the coding of the data in a cumulative way.

This was followed in the third stage with interviews with a member from each of the other volunteer sporting organisations that had agreed to participate. The closeness in the relationship between the General Manager and President became evident through the second stage, and as this was an emerging theme, State General Managers of Soccer and Surf Lifesaving and the State President of Touch Football (as there was no General Manager due to the different governance structure) were each interviewed. This enabled the diversity of the data to be stretched as well as checking whether the coding/themes remained valid and whether there were any different themes. The interviews focused on areas that were highlighted by the previous stage of interviews. This reflects theoretical sampling, beginning as cumulative and becoming specific as data reaches the point of a category's theoretical "saturation", and applying the same coding to a broader range of data to check that "saturation" has been reached. The personnel interviewed are listed in Table 6.1.

**Table 6.1 Personnel Interviewed**

<b><i>Organisation (Tasmanian)</i></b>	<b><i>Personnel</i></b>	<b><i>Interview number</i></b>
Netball	State President (Chair)	1
	Association President	2
	State Programs' Manager	3
	State General Manager	4
Surf Lifesaving	State General Manager	5
Soccer	State General Manager	6
Touch Football	State President	7

The first interview conducted was anticipated to take the longest time with subsequent interviews becoming shorter as specific areas of questioning were identified. Opening questions were semi-structured, but kept to a minimum, permitting the interviewee the freedom to express understanding of their particular situation. As the interviewer's understanding of the situation grew, the questions became more specific (such as when it was understood that volunteers were a significant issue in governance then a question was raised in subsequent interviews on whether they found any difficulties with volunteers). Hence, the initial interview with the State President of Netball was over two hours in length, enabling a thorough understanding of the governance structure in place for State Netball. This was followed by approximately hour-length interviews with an Association President, a State Program Manager (who was also a Club President and had just resigned as the State's National delegate on the National Board) and the State General Manager. Each interviewee held different positions within the organisation and this was deliberate to aid with triangulation of the data. The State General Manager was a paid position; the Program Manager also received

some monetary compensation, whereas the State President and the Association President were voluntary positions. In Netball, the State level is responsible for affiliating the associations which coordinate the clubs<sup>12</sup>.

Once the coding of the interview data was refined and themes were strengthened (through the addition of literature checks and archival data) then interviews across a broader range of sporting organisations from personnel at the same level were undertaken to test whether the themes were “saturated”. From all of the interviews (including the interviews with Netball), only two interviewees were male (the General Managers of Surf Lifesaving and Soccer).

The interviews were held at a time and place suitable to the interviewee. In one case this was a quiet corner of a café (Touch Football); the two interviews with the General Managers of Netball and Surf Lifesaving were held in their respective offices and the other four interviews were held in the organisations’ meeting rooms. All interviews were recorded (with hand-written notes taken as a back-up) and took a minimum of one hour up to a maximum of two hours.

Each interview was transcribed by the interviewer (the researcher) as soon as practical after the interview (usually the same or following day). The transcription was emailed to the interviewee for confirmation and correction. The only correction requested was for a minor change to the naming of Soccer’s Junior Sports League, but otherwise all interviewees responded they were satisfied with the transcription. Memorandums

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<sup>12</sup> An affiliated association means that the association is recognised by the Netball NSO so that it is able to participate in competitions, receive training for its umpires, get updates on the latest rules and so forth.

were also written after each interview and were referred to as a memory aid to recall thoughts and feelings of the interview overall, providing further depth to the transcription of words from the interview (refer to Appendix G) in reflecting on some of the body language and the emphasis that was not captured by words alone.

#### 6.2.2 Archival data

Each organisation at the minimum provided copies of their constitution and annual financial report (archival data refer Appendix K), which were analysed, to further triangulate the data and add depth to the data. Constitutions were checked to validate any interview data on governance aspects that were covered in the document (such as rotation of directors, number of directors, skill requirements of directors, reporting to national level). Annual reports were checked for any president, general manager or other personnel statements that referred to any aspect covered in the interview and/or related to governance. Copies were also downloaded from the Internet of the annual reports and constitutions from the national level of the respective organisations. These were analysed to check for consistency with the interview data and to further contribute to the understanding of governance in the whole organisation.

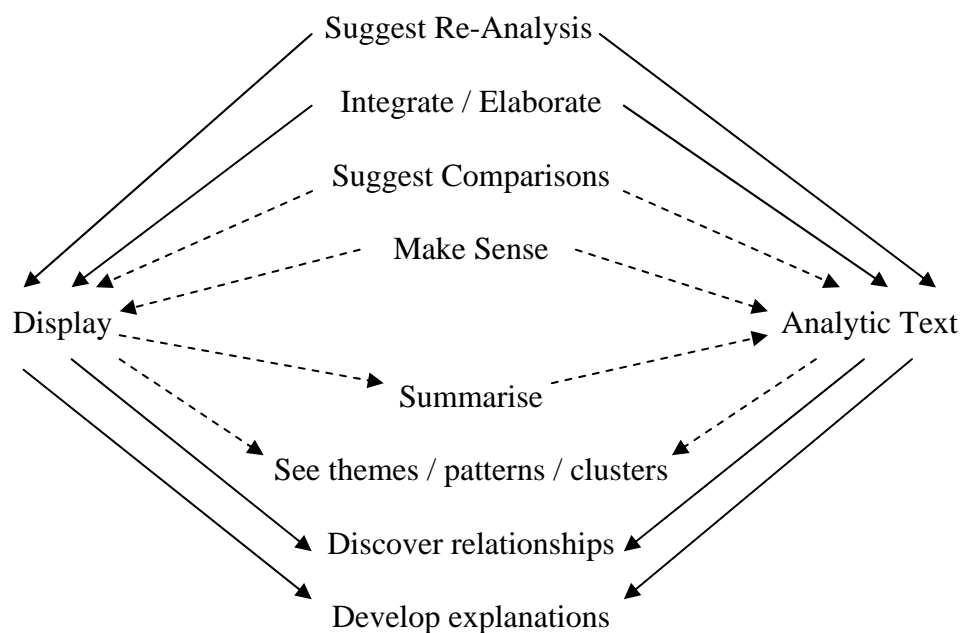
### 6.3 Analysis

Each interview transcript was analysed separately and answers pertaining to the main research question were identified and categorised. Answers not directly related to the main research question, but of possible significance, were also identified and categorised. The categories identified from each interview transcript were then reanalysed based on commonality in identifying recurring themes. Multiple-case

sampling was not made on representative grounds, but on developing an underlying understanding of the governance situation and the factors affecting it.

In applying grounded theory, interview data is used to derive the codes, so the data cannot be pre-coded, but must be reviewed line-by-line within a paragraph, with the codes generated from the data (Miles & Huberman, 1994). The labels are then reviewed to find whether it is possible to attribute several observations within the one theme. This is shown in Appendix H where the first interview with the State President of Netball was reviewed line-by-line to come up with summaries of the content. These summaries were then combined and labelled such as “Interest in Netball”, “Joining the Board” and “Qualifications for Members”. These summaries were then reviewed and found to come under a common theme of “Board Recruitment” (given a code of BREC). The interaction between display and analytic text is shown in Figure 6.1.

***Figure 6.1 Interactions Between Display and Analytic Text***



Source: Adapted from Miles and Huberman (1994, p. 101)



### 6.3.1 First Stage of Analysis – Interviews

In the first stage of the data analysis the two-hour interview with the State President of Netball Tasmania was transcribed (21 pages of single-spaced text) with the initial analysis resulting in a summary or code of each paragraph. Once the text was summarised, themes were identified and text with similar themes were aggregated. The codes were then reviewed and reduced to broader themes (as explained above). For example the following excerpts from the State President of Netball fitted the theme of *Workings of the Board*:

We are now employing a General Manager, and I believe that's her role to manage the sport. It is our role to make decisions concerning the sport, but not to meddle with the <i>running</i> of the sport.
M and J and I that have kept it going over the years and its virtually just making sure the programmes run.
And over the last probably three years we have been negotiating with the government for some funding.

Similarly the labels of *Importance of Financial Data, Governance, Issues with Volunteers, Change and Funding* were deduced, and along with *Workings of the Board*, were combined and re-classified under the broader theme of *Board Operations*.

The labels *Interest in Netball, Joining the Board* and *Qualifications for Board Members* were categorised under *Board Recruitment*. The label *Success of Organisation/Board* was categorised under *Performance*. These themes are shown in Table 6.2.

**Table 6.2 Initial Themes**

<b>Board Recruitment</b>	<b>Board Operations</b>	<b>Performance</b>
Interest in Netball	Workings of the Board	Success of Organisation/Board
Joining the Board	Importance of Financial Data	
Qualifications for Board Members	Governance Issues with Volunteers Change	

Once the themes were developed, data leading to the classification *Governance* was reviewed again as it was not definitive enough and could be refined under *Board Operations* (depending on what it referred to) or merely left as an initial summary without categorisation. For example,

*Netball Australia is the overarching body within Australia*

was reclassified under *Relationships* under the theme of *Board Operations* as it explained the relationship between Netball Australia and the state body. However statements defining the interviewee's definition of governance were identified through summaries. For example,

*Governance is probably a lot of things but it's virtually how you run your sport and it's the board's role to dictate how the sport's run.*

was left in summary form as *Governance – how you run your sport.*

Similarly, *Change* was recognised as an important element due to the voluntary nature of the organisation, as was *Issues with Volunteers*, so these were both reclassified

under a new theme of *Volunteers*. This is shown in Table 6.3 with those items in italics reflecting the change.

***Table 6.3 Expanded Categories***

<b>Board Recruitment</b>	<b>Board Operations</b>	<b><i>Volunteers</i></b>	<b>Performance</b>
Interest in Netball	Workings of the Board	<i>Issues with Volunteers</i>	Success of Organisation/Board
Joining the Board	Importance of Financial Data	<i>Change</i>	
Qualifications for Board Members	<i>Relationships</i>		

### 6.3.2 First Stage of Analysis – Literature

The literature was then re-reviewed to find if any similar themes had been identified previously. Inglis (1997a) identified the four areas of mission, planning, executive director and community relations as the roles of the board in not-for-profit volunteer sporting organisations. Human resources (which would cover volunteers) were recognised under the area of planning, and raising funds were identified under the area of community relations.

However Inglis' categorisation was not reflected in the interview data from the State President of Netball. While raising funds was integral to keeping the organisation functioning, there was little need to rely on community relations for financing due to the member base (volunteers) fulfilling this need. Similar to all Australian voluntary sporting organisations, because Netball was run by the members and for the members, volunteers were integral with every aspect of the organisation. This meant that the impact of using volunteers as the human resource element underpinned all the themes.

For example, the difficulty in obtaining volunteers on the board could result in a smaller board with specific qualifications of the volunteer board members not sought.

In furthering Inglis' research, Inglis, Alexander and Weaver (1999) identified the roles and responsibilities of community boards (in order of importance) as strategic, operations and resource planning. *Operations* reflected the internal focus and should have a minimal role for the board whose activities should mostly focus on strategic issues. This was reflected in the interview data from the State President of Netball, who was seeking to separate the board from the operations of the organisation so that it had primarily a strategic role:

*And we've got to become more strategic instead of the operational side.*

As discussed in Chapter 3, research into governance in Australian voluntary sporting organisations is sparse and mainly survey-based. This lack of in-depth studies is a common problem within the not-for-profit literature as noted by Ferkins, Shilbury, and McDonald (2005), restricting the understanding of governance in operation (Turnbull, 1997; Huse, 2005; Pye & Pettigrew, 2005) as noted in Chapter 5.

Attempting to overcome the problem Hoye (2002) incorporated interviews into his data collection with codes established prior to data collection and semi-structured interviews based on that understanding. Foreman (2006) followed on from Hoye's research and methods in pre-coding her interviews. Hoye recognised that pre-coding did not follow the inductive method of grounded theory advocated by Strauss and Corbin (1998). As much of the literature stems from the for-profit literature (as discussed in Chapter 2) the codes they applied were *more focused* on performance than on an overall understanding of governance in the context of a not-for-profit organisation.

Hoye (2002) used board performance, board structure and board executive relationship as provisional codes from which to derive the themes. Further analysis led to the provisional codes being broken into sub-codes (for example, board performance was broken into group evaluation, group performance, individual evaluation and individual's performance). Foreman (2006) used board recruitment, board operations and performance as final codes with sub-codes as shown in Appendix I.

While the limited literature confirmed the themes of *board recruitment*, *board operations* (including funding), and *performance* (including financial data), there was no theme for volunteers. This highlights the importance of using the inductive approach to grounded theory with the data interpreted from interviews rather than using pre-coded data based on the literature.

In identifying the themes from the interview data it became evident that issues with human resource management (including volunteers, change and governance) overlapped many categories and hence was more of a meta-theme so that after further interviews it was subsequently re-named *Human Resource Management*. The data revealed that performance of the board or the organisation was not a critical issue to Netball, but human resource management was. This again highlights the importance of using a grounded theory approach with unstructured and semi-structured interviews to allow the data to reflect the importance as perceived by interviewees.

### 6.3.3 Second Stage of Analysis – Interviews

Themes identified were then used to categorise the next interview (Association President of Netball) and sub-categories were generated from further analysis.

Initially the data was coded to identify the relationship (under *Board Operations*, Relationships) with each level (so a different code for club, association, state and national level). This was recognised as too much detail and the code was reduced to DL – Different Level of the organisation as shown in Table 6.4. An excerpt showing application of the coding is in Appendix I and an example of excerpts and their categories are shown below:

No, we don't have to give financial reports.	BOP-R/DL PERF-O/F
Conversely we never get minutes from their meetings or anything like that.	BOP-R/DL BOP-B/C

BOP-R/DL = *Board Operations*, sub-category Relationships, Different level of organisation

PERF-O/F = *Performance*, sub-category Output measured, Financial

BOP-B/C = *Board Operations*, sub-category Board roles, Communication

The archival data was analysed with the same themes to ensure they were consistent and the interview data was valid. Then the Programmes Manager interview was analysed in the same way, followed by the State General Manager. Additional refinements were added to the sub-categories to reflect a particular data set; however no change to the themes and sub-categories was necessary at this stage. The initial themes and sub-categories derived from the all the Netball interviews are shown in Table 6.4 with the codes derived from each interview (Table 6.1) identified in the final column. Those codes that were unique to only one interviewee were not recognised as themes that were applicable to all and were removed from further analysis, such as HRM, Change and Facilities which only applied to the Association President as her association was uniquely involved in funding a stadium.

**Table 6.4 Themes and Sub-Categories**

<i>Theme and Code</i>	<i>Sub-Category</i>	<i>Code</i>	<i>Sub-Sub-Category</i>	<i>Code</i>	<i>Interview number</i>
<b>Board Recruitment</b>  <b>BREC</b>	Appointment	-A	Invited	/I	1 2 3
			Elected	/E	1 2 3
			Independent	/IN	2 3 4
	Nomination process	-N	Board term	/B	1 3 2
			Eligibility	/E	2 3
	Prior involvement	-P	Past player	/P	1 2 3 4
			Family	/F	1 2 3
			Committee	/C	1 2 3
	Qualities	-Q	Skills - marketing	/SM	1 2 3
			Skills - financial	/SF	1 2 3 4
			Mix/balance	/M	1 2
<b>Board Operations</b>  <b>BOP</b>	Board roles	-B	Funding	/F	1 2 3 4
			Policy	/P	1 3 4
			General Manager	/GM	1 2 3 4
			Communication	/C	1 2 3 4
			Strategy	/S	1 2 3 4
			Compliance	/L	1 2 3 4
			Training	/T	1 2 3 4
	Board meetings	-M	Size of board	/S	1 2
			Sub-committees	/SC	1 2 3 4
	Relationships	-R	Different level of organisation	/DL	1 2 3 4
			Board	/B	1 2 3 4
			Stakeholders	/SH	1 2 3 4
<b>Human Resource Management</b>  <b>HRM</b>	Volunteers	-V	Time	/T	1 2 3 4
			Turnover	/TO	2 4
			Involvement	/I	1 2 3 4
			Training	/T	2 3 4
	Change	-C	Governance	/G	1 2 3 4
			Facilities	/F	2
			Employ staff	/E	1 2 3 4
<b>Performance</b>  <b>PERF</b>	Output measured	-O	Financial	/F	1 2 3
			Membership	/M	1 4
			Continuity sport	/C	1 2
	Evaluation	-E	Informal	/I	1 2 4
			None	/N	3

The major themes of *Board Recruitment* and *Board Operations* were easy to identify.

*Board Recruitment* applied to any discussion on how the interviewee or members of the board (including the General Manager) were recruited, or any of their prior involvement or qualities. For example, an excerpt from the interview with the Association President of Netball is pertinent:

Interviewer: But to get on the board otherwise you are not looking for any special skills?

Association President: No, ideally I would like to see our board move a little bit more to having some people with a business background that would not be detriment to those good, hardworking people who... There are too many boards made up of having people that don't care, you want to have a **balance**.

*Board Operations* applied to any discussion on the workings of the board: board roles, meetings or relationships. *Relationships* was such an important theme of discussions with the interviewees that it was left as a category under the theme of *Board Operations*. For example in answer to questions on whether the State Board tells the Association how to run their board or charge fees:

Interviewer: How do you relate to the State Board? Do they tell you how to run your Board or anything like that?

Association President: They don't tell me – they wouldn't want to.

Interviewer: And you're allowed to do whatever you like?

Association President: We're allowed to do that and we'd fight if they tried to stop us, as we need that as a revenue stream as what we have to pay.

In comparing the categorisation of *Relationships* with the limited yet most recent literature (Foreman, 2006) it was considered a sub-category of board roles. This makes sense as a role of the board would be in building and maintaining relationships, and with pre-coding there would be no need to analyse this any further. However with the codes derived from the interview data this was a much more significant theme.

*Human Resource Management* in respect of volunteers and dealing with any change in the organisation was a dominant theme through the interviews. Although the theme often overlapped the themes of *Board Recruitment* and *Board Operations*, it was so pervasive that it was given its own theme. In a volunteer organisation any change has an impact on the volunteers and the turnover of volunteers is a problem that has to be



met. Examples of the importance of volunteer management are shown below in excerpts from the interview with the Association President of Netball:

It's interesting when you talk to young people now who have come into the association only ever knowing this, they have no idea of the history, and the parents of the kids will come in and **complain because they pay** \$2 to come in the gate. And I know this is going to happen next year as they know we have got government money and they are going to be saying why do they charge us to come in the gate, forgetting that there is **still a big loan to be paid off**.

Most of the clubs have a **reasonable turnover of personnel**, not that they get rid of them, but different people put their hands up or someone pulls out and they get someone else.

I'm not sure of my current treasurer because of **work hours** he's not too sure about next year.

Little things like, I make sure I sit in a different spot; always I sit somewhere different as I think there is nothing worse than the president sitting at the top of the table as that straight away says I'm in charge here. Whereas I'll sit anywhere, deliberately because I hope that sends a message. And we do little things like our board sits from 6:30 to 9 and we organise things like have a plate of sandwiches or food so **people can feel comfortable about being here. I'm very aware of people**.

Although *Performance* was initially identified as a major theme, it proved not to be as important in subsequent interview analysis so it was re-labelled as *Effectiveness* to better reflect the data and then moved to a sub-category under the theme of *Board Roles*. This was because although performance was recognised as important, it was not the main driver behind operations when the sport was perceived to be functioning as normal – as the President of State Netball explained:

I guess the measurement is that your sport is operating; you are not running from one crisis to another. And I guess the biggest one would be that your member organisations are not jumping up and down saying you are not doing this or you are not doing that.

Further refinement of sub-categories were removed from the analysis of further interviews and merely left as labels on the interview sheets as these refinements to the sub-categories proved to be an unnecessarily sophisticated level to cover the diverse organisations interviewed. These refinements to the sub-categories also detracted from the core of the research – the interviewee's understanding and application of

governance. The final table used to classify themes and sub-categories is shown as Table 6.5.

***Table 6.5 Final Themes and Sub-Categories***

<i>Theme and Code</i>	<i>Sub-Category</i>	<i>Sub-Category Code</i>
<b><i>Board Recruitment BREC</i></b>	Appointment	-A
	Nomination process	-N
	Prior involvement	-P
	Qualities	-Q
<b><i>Board Operations BOP</i></b>	Board roles	-B
	Board meetings	-M
	Relationships	-R
<b><i>Human Resource Management HRM</i></b>	Volunteers	-V
	Change	-C
<b><i>Governance GOV</i></b>	Constitution	-GC
	Accountability	-AG
	Definition/interpretation	-D

These themes are identical to the original table (Table 6.4) other than the last theme of *Performance* which was removed as it proved not to be a major theme of the interviews – performance and evaluation were not regarded as essential to the governance of the organisation. This was replaced with the theme of *Governance* as although most of the data was able to be categorised into the other themes, some were left as core to the theme of governance. Definitions or interpretations of governance by the interviewees differed; because governance is pivotal to this research, summaries of the interviewee’s position were kept to ensure points were not lost. To do this, a note was made summarising the view on governance whenever it was mentioned; for example, an excerpt from interview with the State President of Netball is illustrative:

To me, I think governance of the association covers the <b>board</b> , who then are the policy makers of the association, the next level that we're going to have of <b>staff</b> who are going to carry out those policies. And I believe that the board as such has to make sure that they are making the <b>right decision for the sport</b> and then coming down to the next level with us with [the general manager], it is her role to then get the employees to carry out those policies. At the board level they have to make sure that they are making the decisions in the best interest of the sport taking into account all the <b>legal requirements</b> and <b>not using any positions they've got to run their own agendas</b> .	Governance covers board – policy makers, and staff who carry out the policies. Board must make right decision for the sport. Take into account legal requirements. Not using position to run own agendas.
Governance is probably a lot of things but it's virtually how you run your sport and it's the board's role to dictate how the sport's run.	Governance - how you run the sport (dictated by board).
<p>Interviewer: So your governance could be absolutely awful...</p> <p>State President: Yes, but as long as your sport is going well they don't question.</p>	Governance - unimportant if externally looks fine.

Coding of the interview data was checked by an independent coder<sup>13</sup> following the method outlined in Chapter 5. Interviews with three diverse sporting organisations were carried out to check whether the coding still held to determine whether “saturation” had been reached with the codes. Interviews were conducted as per Table 6.6. The results are discussed in Chapter 7.

**Table 6.6 Interviews - Date and Length**

<b>Organisation (Tasmanian)</b>	<b>Personnel<sup>14</sup></b>	<b>Interview date</b>	<b>Interview length</b>
Netball	State President (Chair)	27 <sup>th</sup> Sept	120 mins
	Association President	1 <sup>st</sup> Oct	65 mins
	State Programs' Manager	8 <sup>th</sup> Oct	70 mins
	State General Manager	15 <sup>th</sup> Oct	60 mins
Surf Lifesaving	State General Manager	24 <sup>th</sup> Oct	80 mins
Soccer	State General Manager	24 <sup>th</sup> Oct	60 mins
Touch Football	State President	19 <sup>th</sup> Nov	60 mins

<sup>13</sup> The coder was independent of the research, given the interview transcripts and codes and was asked to categorise the data with no interference.

<sup>14</sup> Personnel were re-interviewed for an additional hour at the end of the research to ensure there had been no significant changes in governance over the period of the research.

#### 6.3.4 Second Stage – Archival Data

To further validate the data and subsequent analysis and to improve reliability, relevant written documentation was examined to check for consistency with the analysis undertaken of the interview data following the identified themes and sub-categories. Constitutions and annual reports for each organisation were collected in hard copy at the time of the interview or from the appropriate website. Previous years' annual reports were also collected to check for any discussion of *Change*.

The model rules for constitutions provided under the Associations Incorporated Act (1964) under the Tasmanian state law were also relevant as they are deemed to apply if there is nothing in the relevant constitution to vary them:

*Section 16 (3) Where an association is incorporated under this Act, in so far as any rules lodged, pursuant to section 7, with its application for incorporation are not inconsistent with or do not exclude or modify the model rules as then in force, the model rules shall be deemed to form part of the rules of the association in the same manner and to the same extent as if they were contained in the rules so lodged.*

This legislation applied to most of the organisations in this research, with the *Corporations Act* (2001) section 135 on replaceable rules applying a similar provision for those incorporated as a company under federal law (Soccer).

In the model rules the code *Board Recruitment* would be referred to in terms of the nomination process and the length of term. The code *Board Operations* would be referred to in regard to board roles and frequency of meetings. *Relationships* and *Human Resource Management* (*Volunteers* and *Change*) would more likely be referred to in the annual report, as they were not represented in the model rules for the constitution.

### 6.3.5 Third Stage – Data from Other Sporting Organisations

Three other organisations (State Surf Lifesaving, State Soccer and State Touch Football) were subsequently interviewed<sup>15</sup>. Interviews took place across the State and under normal conditions – not during a crisis period. This was double-checked by re-interviewing personnel at the end of the research to ensure nothing significant had impacted on the governance practices over the period. The interview data was analysed as explained above and the findings for these and State Netball will be discussed in Chapter 7. The above methods were also applied to the archival data for each organisation with the archival data analysed and checked for consistency. The archival data that proved relevant in assisting with the analysis (constitutions and annual reports for both the organisation in question and the national level of the organisations) were compared with the interview data to validate it, or where it differed this was followed up with the interviewees. The findings are reported, discussed and evaluated in Chapter 7.

## 6.4 Summary

This chapter described the data collection methods and included discussion and justification for the analysis techniques used. The derivation of the themes (with the coding) was explained in detail with some examples of the identified themes used to assist in determining the findings included to provide context for the analysis methods used. This will be discussed further in the next chapter where the findings are presented along with a further extension of the themes and sub-categories that were included in Table 6.5.

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<sup>15</sup> Interviews for all organisations other than Touch Football took place from 27 Sept to 15 Oct 2007 with a couple of days between each interview to analyse the data. The Touch Football interview took place on 19 Nov 2007 (as the CEO returned from leave).

## **Chapter 7**

### **Results and Discussion**

#### **7.1 Introduction**

The results of the data analysis are discussed in this chapter and they identify, from the organisations' terms of reference, what they consider as governance, how and why particular governance elements were adopted and the impact on their organisations.

The refined codes and themes from the interviews with personnel from State Netball interview data (triangulated through multiple levels of the organisation) were analysed against the data of three other voluntary sporting organisations to check whether the themes held across a diverse group. Confirmation implied that "saturation" of the codes and themes had occurred. Any reference to findings within this chapter reflects what the interviewees stated, except where otherwise noted.

#### **7.2 Netball**

A single sport, Netball, was used to develop the initial set of themes. These themes were then used in analysing interview and archival data for the other sporting organisations, with a view to further refinement of the themes and then a re-exploration of the data to identify if those further-refined themes held. This is an essential component of the method of grounded theory to ensure the themes identified are valid and that no theme has been overlooked.

Netball data was triangulated through interviews from multiple levels of the sporting organisation and from archival data. A summary is shown in Table 7.1 with the dominant themes and categories found from the interview data of the State President, State General Manager, Programmes Manager and Association President. Archival

data only supported some of the data, with many of the governance elements of an informal nature.

**Table 7.1 Results Matrix – Netball**

<i>Themes</i>	<i>Interviews</i>				<i>Archival data</i>
<b>Board Recruitment</b> <ul style="list-style-type: none"> <li>- <i>Joined for children</i></li> <li>- <i>Netball experience</i></li> <li>- <i>Balance</i></li> <li>- <i>Gender mix</i></li> <li>- <i>Marketing and lobbying</i></li> <li>- <i>Networking</i></li> </ul>	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>NIL</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>NIL</i>
	<i>SP</i>	<i>SGM</i>	<i>NIL</i>	<i>AP</i>	<i>NIL</i>
	<i>SP</i>	<i>SGM</i>	<i>NIL</i>	<i>AP</i>	<i>NIL</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>National By-Laws</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>NIL</i>
<b>Board Operations</b> <ul style="list-style-type: none"> <li>- <i>7 directors</i></li> <li>- <i>Sub-committees</i></li> <li>- <i>Board roles and rotation</i></li> <li>- <i>Communication</i></li> <li>- <i>Separate operations</i></li> <li>- <i>General Manager employed</i></li> <li>- <i>Director independence</i></li> <li>- <i>Effectiveness</i></li> </ul>	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports and Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>NIL</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>NIL</i>
<b>Human Resource Management</b> <ul style="list-style-type: none"> <li>- <i>Attracting and retaining (complacency, change difficult)</i></li> <li>- <i>Relationships (cannot force volunteers to do anything)</i></li> <li>- <i>Training e.g. legal compliance</i></li> </ul>	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports and State By-Laws</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports and Constitution</i>
<b>Governance</b> <ul style="list-style-type: none"> <li>- <i>Constitution</i></li> <li>- <i>Financial management/finances</i></li> <li>- <i>Accountability</i></li> <li>- <i>How the Board runs the organisation</i></li> <li>- <i>No requirement for level of governance (autonomous)</i></li> </ul>	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>Annual Reports and Constitution</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>N/A</i>
	<i>SP</i>	<i>SGM</i>	<i>PM</i>	<i>AP</i>	<i>N/A</i>

*SP = State President*

*SGM = State General Manager*

*PM = Program's Manager*

*AP = Association President*

*N/A = Not applicable*

*NIL = Nothing evident/ not discussed*

Even though the interviewees within the sport were from different levels (from State down to Association level) and different positions (from a volunteer State President to an employed State General Manager), there was a surprisingly high level of

consistency. This made it possible to generate themes and sub-categories that applied across all levels; these are discussed below.

### 7.2.1 Board Recruitment

Board recruitment is fundamental to the operations of the board as recruitment policies and the reasons for volunteering to be on the board impact on its function. Appropriately, board recruitment was the first theme identified. Although there were no formal recruitment policies or even any reference to board recruitment in any of the archival data, other than the skill sets required at national level, every interviewee agreed that it was an undisputed fact that most became involved at board level due to their children being active in the sport. There were rare cases of others becoming involved due to their own interest in the sport, but by far the majority joined the board (or were otherwise active in the organisation) as they were supporting their children.

Netball experience was held by all interviewees as an essential asset for a board member and far outweighed any skill set (such as marketing, finance, accounting, law, management or lobbying). As it was difficult to get anyone to volunteer for the board, a skill set, balanced board and/or a gender mix were all merely ideals and so were not generally actively sought. Of all the skill sets, marketing and lobbying were the most desired, however the treasurer position was one role that actively sought those with accounting or finance skills. Volunteers with networks that could be accessed for lobbying or marketing were especially valued.

This lack of focus on a skill set noted by interviewees at State and Association level was mirrored in the archival data which had no reference to skill sets at those levels.



In contrast, by-laws at the National level specified a skill set for all elected directors. This skill set requirement not only included extensive knowledge of netball but also of financial management, corporate law, common law corporate governance and directors' responsibilities as well as a professional or commercial background in a specialised area of expertise. There was no requirement for gender balance within the board, although this was one area that was identified as a requirement for "good governance" by the ASC.

### 7.2.2 Board Operations

The second theme identified within the data was board operations. With the boards at State and Association level made up of volunteers without any particular skill set other than knowledge of the sport, the operations of the boards at the different levels could be expected to vary. The fact that there was little variation may reflect influence from the National level, or that board members possessed similar governance knowledge (or followed the model constitution for an incorporated association) or that it merely reflected a natural way to operate the sport.

The archival data revealed that some aspects of the National board structure appeared to be replicated at State and Association level. For example, the number of directors (seven) was replicated at State and Association level, but not at club level. Follow-up interview data revealed that the number of members on the board was a "natural outcome" of having a manageable board and was not influenced by the numbers at National level. It arose from the historic roles of president, vice-president, secretary, treasurer and three unspecified positions (to avoid a tied vote). Although all of these positions were no longer used, the number of board members remained the same. Sub-

committees covering each aspect of the sport enabled the reduction in size of the board to a maximum of seven members (in part, a result from a lack of volunteers for the board). The specification by *Model Rules for Incorporated Associations* for two vice-president roles was not followed by any board.

Director positions were not replicated from the National board structure, neither were the periods of rotation for directors although each level included a clause with a time limit for the director position (three years at National level and two years at State and Association level). Archival and interview data confirmed that “rotation” was not practiced. At the National level although the same members “rotated” positions, they did not leave the board meaning the board was essentially the same. At State and Association levels there had been no change in the President of the board for many years as it proved impossible to get any other member to take on the role. Each level maintained representation (as per the National level) for each of their lower levels (Associations or Clubs) at two delegates.

The National level constitution contained clauses prohibiting any board member from also being an employee and a requirement that all state organisations lodge their constitution, by-laws, any changes to those documents, their annual reports and their register of members with the National level. The State level constitution followed the National level constitution with similar clauses. However, interviews revealed that although it was a clause in their constitution, the State level organisation did not enforce the requirement that their associations supply them with their annual reports their register of members or even their constitutions. The reinstatement of a general manager at State level was enabling membership databases to be updated. However

this came about not because it was recognised as a requirement in the constitution and therefore necessary, but rather as a direct result of the actual need of facilitating communication to members. This placed the legal requirements in context: communicating with members was recognised as an immediate need with the legal constitutional requirement of lodging other material overlooked.

Although all interviewees recognised the importance of separating operations from strategic management (the board), the role of the General Manager in operations or strategy was still in a state of flux and at the time of interviews, the position overlapped both areas. At the Association level the General Manager was expected to have input into both areas while being autonomous: *“I think you have to give that person some autonomy as otherwise you’re still doubling up”* (Interview 4).

Nothing in the archival data referred to any division between the general manager’s operations and board operations. This may reflect a lag in updating the constitution to include a defined governance role for the relatively newly appointed general manager. This lag was evident in the documentary data due to the difficulty and amount of time required to get members to agree to any changes in the constitution. Once the members had agreed lawyers were then employed to check the document as there were legal ramifications to varying the constitution.

Ensuring the general manager was involved at an operational level and not a strategic level (on the board) was only one aspect of “good governance” proposed by the ASC; independence of board members was another aspect. Attempts at the National level of Netball to change the governance structure to ensure director independence was met

with resistance by the states, even though such changes made “good business sense”. Hence the inclusion in the constitution of the requirement that board members be completely independent was met with strong opposition. By splitting the independence requirement into two, the first being that board members could not be employed, and the second being that a board member could not be a member of a board at any other level, this opposition was reduced. The non-employment requirement was the first to get passed in the 2006 constitution, while the second requirement took a couple of years to get passed and into a new constitution (2008).

The introduction of the independence non-employment requirement at National level was a point of consternation by one interviewee who had lost her position on the National Board due to that requirement. The token allowance paid to be the State Programmes’ Manager lost the interviewee a long held national board position. This was perceived by her to be unfair especially when she was well-recognised in the state for her expertise and experience in Netball.

There was little consensus on how to measure the effectiveness of the board or organisation. The State General Manager held that effectiveness was reflected in a growth in numbers (hence the interest in a membership database even though it was not required in the constitution), whereas the Association President viewed that their effectiveness was reflected in their building of facilities for the sport.

The State President held a more pragmatic viewpoint in effectiveness as a “measurement that your sport is operating, you are not running from one crisis to another... your member organisations are not jumping up and down saying you are not doing this or you are not doing that” (Interview 1). Although this statement may

reflect reality, it also suggests that there was no formal way of measuring effectiveness which was evident in the lack of documentary evidence on any type of measurement for effectiveness. In fact any type of performance measurement was difficult to find in the archival data. In annual reports, even basic financial results were not consistently reported, for example, the 2006 National level annual report, (archived on the web), failed to disclose financial results and the 2007 annual report contained only a paragraph on operational results. It should be noted that individual and team sporting results were very evident in annual reports and in monthly newsletters, but these were not used in any governance related system.

### 7.2.3 Human Resource Management

The label, *Human Resource Management*, was applied to the third theme as it captured references to volunteers and their management. This theme as with other themes emphasises the integral role of volunteers to the existence of not-for-profit sporting organisations. The management of volunteers is critical and so is a central theme for these organisations. While volunteers are mentioned in archival data at the National level, they are much more prominent in the archival data at the state and association levels.

At National level the constitution did not reference volunteers or stakeholders in the formulation and implementation of policies. However in the 2006 annual report it was noted under “what we value” that the sport valued volunteers. This annual report also explicitly recognised stakeholders and supporters and the problem with attracting and retaining volunteers.

Volunteers were explicitly identified in the state level by-laws with the requirement that staff “must believe in the place of volunteers with recruitment, selection, supervision and recognition of leadership their major responsibility”. Interview data also revealed the strong emphasis on volunteers as they were responsible for keeping the state level of the organisation going when a financial crisis meant that all paid staff had to leave in 2001.

State level were mindful that any requirements they placed on Associations had to be carefully considered as associations were autonomous, made up entirely of volunteers who could easily leave if they did not like the change. This meant that the requirement for a copy of the Associations’ constitutions to be given to State level was not enforced, as Associations were legally required (as they had to be incorporated) to submit their constitutions and any changes to the Department of Consumer Affairs and Fair Trading (Tasmania). There was some concern that as the Associations were all volunteers with no governance training, many did not understand the legal requirements surrounding being an incorporated association, the requirement for a constitution or how to legally make changes. This only became evident after members made complaints.

The Association’s constitution was short (13 pages), written in a more informal style with even the font, comic sans, chosen to accentuate this. The informal style underscored their closer ties with volunteers and their distance from the influence of higher levels. The Association President was adamant that their level of the organisation was completely autonomous and did not view any demands from higher levels favourably. For example, when asked about the relationship with the state

board and whether it tells the association how to run their board or similar, the reply was:

*They don't tell me – they wouldn't want to... We don't have to worry how we run our own Association, what our constitution looks like or anything like that. Likewise our clubs are autonomous in the way they run theirs. (Interview 4)*

Hence the association did not interfere with the running of the clubs.

The Association's annual report explicitly recognised volunteers, documenting an afternoon tea for stakeholders, and thanking everyone for their support. The report did note a problem with disputes among members and the board and requested that members try to understand documents and not merely act for a particular club.

#### 7.2.4 Governance

The final theme of *Governance* distilled from the interview data was central to the questioning. To understand what sporting organisations were doing in respect of governance and whether it influenced the way they ran the sport required an understanding of their perception of governance. Similar to the theme of *Human Resource Management*, although many elements distinguished governance as a separate theme, it overlapped all the other themes. Governance should carefully consider board recruitment, board operations and human resource management and as already discussed, these activities were largely informal in nature.

At National level, the President noted in the 2005 and 2006 annual reports that corporate governance was a specific focus of the board (reflected in the creation of policies and committees in 2005 and a new constitution in 2006). In the 2007 annual report a change in president coincided with a change in emphasis on corporate governance from a specific focus to merely being “reviewed”. It was only in the

context of the discussion of operating results that reference was made to “strong” governance. This was an interesting choice of placement: while operating results are an important measure of effectiveness in a for-profit organisation, they are not so critical to a not-for-profit.

Reflecting Netball’s not-for-profit orientation, the State President and Programs’ Manager did not consider that poor financial management, or operational losses were a reflection of poor governance. They had shown that a core body of volunteers could run their organisation without any funding, as they had done so for three years after all staff were laid off and the Hobart office closed in 2001 due to a financial crisis. During that time the state board took on a more operational role to maintain the core functioning of providing state level competitions and state level coordination for the associations.

This lack of an emphasis on financial management was reflected in the archival data at National level where operational losses in 2005 and 2006 were glossed over. Although there was little reference to the operational loss in the 2005 annual report, the financial statements were included along with the auditor’s report and financial pie charts. This contrasted sharply with the 2006 annual report where the financials were not included at all, and with the 2007 annual report where only a paragraph of operational data was provided.

A new constitution at the National level was written in 2006 stating that the National level was the governing body of a uniform entity. However the language used was very collegial (rather than dictatorial) with phrases such as “adopt and accept”,



“encourage... mutual and collective benefit of members”, “act in good faith and loyalty”, “promote mutual trust and confidence”, “have regard for public interest”.

This could be considered part of the “Relationships” sub-category under the *Human Resource Management* theme as well as part of the *Governance* theme.

Although National level actively sought to improve its governance, the requirements for member organisations (state organisations) were minimal – they were required to be incorporated, to elect two delegates to the National level, to provide copies of their annual financials and to keep a register of members which could be inspected by members. The State constitutions were required to “adopt in principle... generally in conformity with this constitution” with any constituent documents reflecting the National level objects. Some of these governance mechanisms employed by the National level were not enacted state level. For example, a register of members was not maintained due to problems at State level and this was not questioned by National level or support offered to establish a register.

Similarly the State Board did not require the Associations to report to them with their financial statements or their constitutions. The Associations were recognised as autonomous. The State Board was also treated as autonomous with little interest shown by the National Board in its financial statements or constitution. Even when the State Board was in a financial crisis in 2001 the National Board did not question or intervene. So there was little formal accountability for governance at any level, even where a requirement for a base level of governance existed. As explained by the State President, accountability was questioned only when operations were not going

smoothly, and even then it was only questioned by their constituents, not National level. This accountability was from bottom-up rather than top-down.

### **7.3 Other Sporting Organisations**

Themes and sub-categories that were distilled from the data for Netball were applied to three other sporting organisations to discover if they were accurate or if the themes needed enlarging or refining. These organisations were chosen for their differences with the view that this would lead to the identification of fundamental uniformities with the greatest scope. Each sporting organisation interviewed had a unique governance structure and different gender balance; hence a comparison of the results should also reveal points of interest.

All Australian sporting organisations have to be incorporated or they would not be recognised by the Australian Sports Commission as a “sport”. Briefly the key differences between the four sporting organisations are noted.

Netball has the largest female participation rate of any sport in Australia and is the only sport to have a governance structure dominated by women (from national down to club level in this research, all directors except one at state level were female).

Netball operates under a federal structure. Although the National level is moving more towards stronger governance, this has generally not been reflected in enforcement of governance requirements. National level is incorporated as a company limited by guarantee, however the state, association and club levels in this research were all incorporated associations under Tasmanian legislation.

Soccer (Football Federation Australia) is a member of the International Football Association and is the world's most popular sport. It operates under a more limited federal structure than the classical federal structure, with a strong requirement for independence in its boards after the Crawford Report (2003) found a lack of democracy with a concentrated group with conflicting interests mismanaging the organisation. National and State levels in this research were incorporated as companies limited by guarantee and both levels had all male boards (six directors at state level).

Touch Football is one of the newest sport associations with the first inter-district competition in 1978. It is also the newest (and only) adoptee of the unitary structure (after the Shilbury Report, 2004) yet has been unable to strictly follow that structure with two states (NSW and Qld) opting out of it. The unitary structure meant that the State level in this research was employed by the National level and thus was not a separate legal entity. It was managed by Touch Football Australia (National level), an incorporated association under ACT legislation. All seven directors on the board were male.

Surf Lifesaving Australia (SLSA) is one of the oldest Associations (over 100 years) in Australia and one of the largest volunteer organisations. It is the only sporting organisation in this research to fully operate under the classical federal structure with representation sought from every level of the organisation with the states and territories being the owners of SLSA. The policy and decision-making body is the SLSA Council; made up of the seven volunteer presidents of each state and territory as well as three ordinary volunteer directors and a national president (all 11 directors

are male). At State level the council consisted of all the club presidents (11), so that there was representation at every level. It operated at the National level as an incorporated company limited by guarantee, with State and Club levels in this research being incorporated associations under the Tasmanian legislation.

Each organisation had a different mission and governance structure. Hence if there was going to be any differences in the themes it should be revealed clearly and explanations could be sought. To find whether the results from one sporting organisation (Netball) were also reflected in other sporting organisations, the common themes from Netball were applied to all four sporting organisations (summarised in Table 7.2). Agreement with themes was shown with a tick, disagreement shown as a cross and where it was not applicable, or not discussed it was marked with a “0”. Effectiveness was only given a tick if the organisation had some objective way of measuring it. The word “board” was not used consistently by the organisations. For this research the “board” identified in the table is the board of management (with directors), or in the case of State Touch Football, the state executive (as they had no directors).

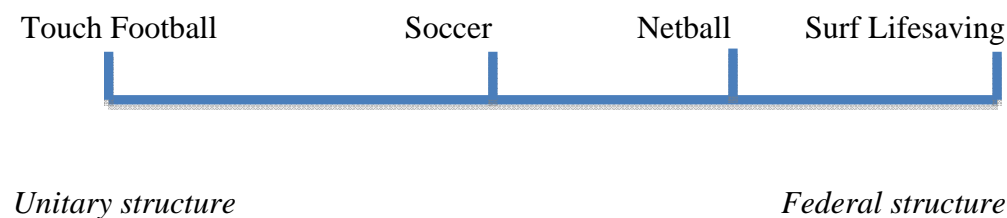
**Table 7.2 Results Matrix – All Sports**

<b>Themes</b>	<b>Netball</b>	<b>Surf Lifesaving</b>	<b>Soccer</b>	<b>Touch Football</b>
<b>Board Recruitment</b> <ul style="list-style-type: none"> <li>- <i>Join for children</i></li> <li>- <i>Sport experience</i></li> <li>- <i>Balance</i></li> <li>- <i>Gender mix</i></li> <li>- <i>Marketing and lobbying</i></li> <li>- <i>Networking</i></li> </ul>	✓ ✓ ✓ ✓ ✓ ✓	✓ ✓ 0 0 ✓ ✓	✗ ✗ ✗ ✗ ✓ ✓	✗ ✗ ✗ ✗ ✓ 0
<b>Board Operations</b> <ul style="list-style-type: none"> <li>- <i>7 directors</i></li> <li>- <i>Sub-committees</i></li> <li>- <i>Board roles and rotation</i></li> <li>- <i>Communication</i></li> <li>- <i>Separate operations</i></li> <li>- <i>General Manager employed</i></li> <li>- <i>Director independence</i></li> <li>- <i>Effectiveness</i></li> </ul>	✓ ✓ ✓ ✓ ✓ ✓ ✓ 0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	✓ 0 ✓ ✓ ✓ ✓ ✓ 0	✓ 0 ✓ ✓ ✓ ✓ ✓ 0
<b>Human Resource Management</b> <ul style="list-style-type: none"> <li>- <i>Attracting and retaining (complacency, change difficult)</i></li> <li>- <i>Relationships (cannot force volunteers to do anything)</i></li> <li>- <i>Training e.g. legal compliance</i></li> </ul>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
<b>Governance</b> <ul style="list-style-type: none"> <li>- <i>Constitution</i></li> <li>- <i>Financial management/finances</i></li> <li>- <i>Accountability</i></li> <li>- <i>No requirement for level of governance (autonomous)</i></li> <li>- <i>How Board runs organisation</i></li> <li>- <i>Structures and procedures by which the game is run</i></li> <li>- <i>Providing direction and leadership</i></li> </ul>	✓ ✓ ✓ ✓ ✓ 0 0	✓ ✓ ✓ 0 ✓ ✓ ✓	✓ ✓ ✓ ✓ 0 ✓ 0	✓ ✓ ✓ ✓ 0 ✓ 0

The results highlight the fundamental differences between the unitary structure that Touch Football has incorporated with the federal structure (as reflected in Surf Lifesaving). The federal structure has representation from every level involved in governance decisions. The unitary structure removes that representation, so there is no separately run state level of the organisation; it is all run by National level. Soccer changed to a more federal structure after the Crawford Report in an effort to introduce more democracy back into the governance structure. Netball had been encouraged to

move towards a stronger governance emphasis with independence of board members, but this had not been incorporated at State and Association levels at the time of this research. The unitary structure and federal structure are at either extreme of the governance structures for sporting organisations, hence diagrammatically, the sporting organisations could be considered to fit along a continuum of governance structures in Figure 7.1 (not shown to scale).

**Figure 7.1 Distribution of Structures**



### 7.3.1 Board Recruitment

The difference between the structures reflected and impacted on the culture of the sport and underpinned board recruitment. Similar to Netball, other than for skill sets, there was no reference to board recruitment in archival data for the other sports, so interview data was used to understand the differences in culture.

The General Manager from State Soccer explained:

*I have a big problem with graduates that come up from Club onto the State Board. They don't understand their role once they get to the board, as they have been so involved in the operations at Club level. (Interview 6)*

Soccer's leadership was top-down rather than bottom-up with National level

demanding independent boards, a direct result of the Crawford Report.

*It is good to have an independent board as in small sporting communities such as Tassie, whenever a decision is made, and that member is known, there is a perception that it is the member's background or the links he had etc that was the reason for the decision and not that it was the **best decision for the sport**.*

*So by having completely independent people, there can be no questions about the decisions.* (Interview 6)

With Touch Football there was little sport culture:

*It's fast food sport. You go to Southern Touch on a Friday night; people don't even turn up for training. They just turn up with their top on and play, then go to the bar and drink... they don't want to referee or sit on a committee.* (Interview 7)

This may explain why the states for Touch Football did not oppose a unitary structure, as it made “good business sense”. Additionally, there was no strong sport culture that demanded to be nurtured.

On the other hand, Netball had a very strong culture and appreciated board members who understood the culture as the President of State Netball stated: “*To come onto our board, the Netball Tas Board, it would be always advantageous if they served at the local level*” (Interview 1). This Netball culture was also reflected in the Netball Association President's views:

*Netball is a fairly **involved type of sport** and I suppose one of my aims is to keep this Netball community because I think when **people have ownership** of something they're more inclined to cooperate and be involved whereas if you just go along to a Centre that you don't feel is yours, you don't give a damn really, you just play the game and go home.* (Interview 4)

This culture of involvement is in direct contrast to the earlier quote from Touch Football where there was very little culture of involvement (or ownership) – members were just happy to play the game and go home.

Surf Lifesaving maintained the strong sense of ownership by members with the presidents of all the state clubs (11) forming the State Council with a strategic role. A director was nominated from State Council for the Australian Council, which developed policy. Thus the presidents still had ownership of the sport and every level

had representation reflecting the strong federal model of governance. This was also clearly featured in the archival data (the National level annual reports), which stated that the state and territory centres were the owners of the organisation (Surf Lifesaving Society Australia Annual Report 2005-6).

In regard to skill sets, the results of the other sporting organisations followed the same pattern in that the structure of governance reflected the requirement for a skill set.

Business knowledge, as compared to sport knowledge, as an essential skill set appeared to be a function of the culture of the organisation as well as the structure under which it operated. Marketing, lobbying and networking were ideal skills for all boards, however as with Netball, getting volunteers on the board in the first place was often so difficult for these organisations that a skill set was not able to be pursued.

This may be the reason that a gender balance (a requirement for good governance by the Australian Sports Commission) was found to be too difficult to enforce even in these organisations.

Under the unitary structure of Touch Football, as the State Executive was essentially a branch of the National level, a skill set was able to be sought from volunteers answering an advertisement for a position on State Executive. At the National level, the board was made up entirely of males who played the sport and who were not appointed for their business knowledge.

State Soccer also was able to require a skill set in the two appointed board directors; however the other six directors were elected by members so a skill set would not be as



essential. The General Manager was employed with a skill set and also acted as the General Secretary.

State Surf Lifesaving required a skill set for its board directors as determined by Council. Archival data (2007 constitution) revealed that the five nominated directors from the membership had to have sound knowledge and empathy for Surf Lifesaving as well as knowledge of risk management. The independent directors elected by Council annually did not have to be members but were required to have specialist skill sets. Similarly to State Soccer, the general manager was employed with a skill set and also acted as the secretary and attended all state meetings.

### 7.3.2 Board Operations

The other sporting organisations revealed many similarities to Netball in the archival data; for example, all constitutions included a clause on director rotation of two years and most had positions for seven directors on the board (confirmed by interview data). State Surf Lifesaving had 11 on their State Council as each club had representation. On their board, they had five directors elected by members and two independent directors elected by Council (a total of seven directors). State Soccer had seven directors (six appointed by members and only one appointed by the board out of a possible two – so they could potentially have eight directors) on their board. With no directors, State Touch Football had no board in the same sense as the others. Their State Council had an independently appointed chair and secretary and a representative from each of the four affiliated bodies. Their State Executive had seven independently appointed people (including the same chair and secretary).

The board roles of the other organisations were also similar to State Netball in that the minimum defined roles (such as with State Soccer) was a president and finance officer. State Surf Lifesaving added a deputy president to the mix. At state level the general manager (paid staff) acted as the secretary and was able to attend all meetings but was unable to vote. However at lower levels a secretary was a defined volunteer role.

With Touch Football's new unitary structure the state roles were different as there was no need for a finance officer. The State was essentially a branch of the National level. The positions of chair and secretary (advertised voluntary positions with an honorarium) were created by the National level and they were responsible for both State Council and State Executive (neither of which was a legal entity). Under the model, the State Board was split into a State Council (with a strategic role, dictated to by National level, with the chair and secretary and one representative from each affiliate) and State Executive (with the same chair and secretary and five independently appointed people – all appointed through advertisements and all volunteers). The State Executive met monthly and was responsible for the operations and generating the discussion papers. This was sent to State Council, which met bi-monthly, they took it back to members for feedback and then it was returned to State Executive for finalising. Knowledge of Touch Football was not in the “skill set” required for appointees.

With Touch Football, voting was based on membership numbers so that smaller States lacked a voice at National level. Under the unitary structure the national incorporated body meant that each state and territory's incorporated body had to be dissolved to

enable one body to govern them all. Although Qld and NSW opposed this decision, the structure was still imposed leaving both those states as separate legal entities (which reduced the effectiveness of the unitary structure). The decision to impose a unitary structure was supported by the Australian Sports Commission with funding (which was difficult to get for such a “fast food sport”). Previously the state level had operated (with a profit) without any sponsorship, not even any funding from the State Department of Sport and Recreation. Even without funding they were able to employ a general manager (a member of an affiliate and so was not independent). It has already been identified that Touch Football lacked a culture of involvement (as compared to Netball), yet the state level was able to operate quite successfully financially due to the low requirements of the sport with no need for maintenance of courts and so forth. However if the state did face the same financial difficulty as Netball then it would be questionable whether they would be able to gather a “core group” (Inglis, 1997b) to continue the sport.

State Soccer’s General Manager stated that there was no real input into how their clubs and associations ran. *“They were free to create their own constitutions and only have to follow policy and regulation that we pass down”* (Interview 6). Where there were problems clubs and associations could be directed to change their constitution with the threat of disaffiliation if they did not comply. But the state body would not interfere if the associations were operating normally, only becoming involved if problems were reported or the association was constantly late with registrations.

Although communication between levels was often strained, every interviewee understood communication was essential. This communication applied to a wider

range of stakeholders than just volunteers and was especially important for funding bodies. That the key to good relationships with stakeholders was a good communication strategy was well recognised. However this was not always forthcoming for a number of reasons. In the case of the Netball Association maintaining autonomy was a prime consideration but without a clear communication channel from above they were very reluctant to provide any information upwards. In the case of the Chair of State Touch Football the problems that had been encountered with the National level being reticent in providing information made communication down the line very difficult. This was especially so with the change in governance structure which required a higher level of communication to members.

As already noted, State Soccer would not interfere if the Associations were operating normally. This lack of interference went as far as not requiring any reporting by the Associations back to State level (such as annual reports, financials or constitutions). Archival data supported the interview data by revealing that there was no constitutional requirement for the Associations to report to state level. According to the General Manager, the reason for this was that there was not enough staff to review such data. However State level was fully accountable to National level with the State constitution having to mirror the national constitution with any changes to the State's constitution approved at national level.

There was no reporting from National level of Touch Football to State Council nor was there any reporting from the Affiliates (who were incorporated) up to the State Council. However the State Council had to report to both the Affiliates and to the National level. The National level strategic plan imposed on the states was fifty pages

long and was viewed by the Chair as “*bureaucracy gone mad, as a voluntary member and all that, it is so over-governed*” (Interview 7).

Soccer was more focused on board independence (stemming from the Crawford Report (Crawford, 2003)) than the other sports with a rule that the members of the board could not hold any official position in any club. The State General Manager argued that this helped to ensure that members did not have an operational focus when they joined the board. The National level of Netball was following Soccer’s lead in changing their constitution to incorporate independence of directors; this was only imposed down to state level, with the association (and club) level unaffected.

Surf Lifesaving encountered similar problems to Netball and Soccer with a lack of independence of representatives on State Council in making governance and operational decisions. In response the State Council was split so that it focused on the strategic function with a State Board created to be operational in function, overseen by the State Council of 11 club presidents. This meant that the State Council approved and endorsed the annual report, financial statements, any changes to the constitution and rules, appointed the board of directors and reviewed the performance of the board. It was the only organisation that reviewed board performance with the requirement also stated in their Regulations. At the time of interviews, State Soccer was developing a measure for board performance.

### 7.3.3 Human Resource Management

Managing volunteers was a significant problem for all organisations; but volunteers were not mentioned in any of the constitutions and only occasionally explicitly

recognised in annual reports. The nature of volunteers meant that any change was difficult to implement so that often members were lost in any change process. This was reflected in the interview data for every organisation. The Chair of State Touch Football captured the problem of managing the huge change to the unitary structure and the impact that had at National level:

*We will get there. It's just the damage along the way because it hasn't been done properly. Now don't get me wrong, in the last 10 months, the CEO's quit, the Chair's quit, we had an acting CEO up until June, the new one didn't get appointed until July and the Chair of the Board resigned. (Interview 7)*

Lack of communication and problems with the change process were perceived by the Chair to be the reasons why many members had left at every level.

Changes in society meant volunteers were becoming more “time poor” was recognised by the General Manager of State Surf Lifesaving. This made it more difficult to attract and retain staff leading to a greater need for employed staff, which led to finances becoming more important for continuance of the sport in its current form and especially to grow the sport. This change in the organisation was circular with volunteers being replaced by (paid) professionals leading to a loss of volunteer members. To avoid volunteers becoming frustrated and leaving the organisation, the General Manager believed it was important to keep them empowered, meaning communication was essential. In an attempt to bridge this gap, State Surf Lifesaving (SSL) provided workshops and programmes, but it was challenging to get volunteers to attend even though SSL targeted the right people, tried to show the value in attendance and had flexible delivery. As well, they provided the hardware for communication by providing each club with a laptop and an email account and maintained distribution lists of members.

Turnover was recognised as a problem with the difficulty in filling positions and lack of induction training, but lack of turnover was also perceived as a problem; for example, the General Manager of State Soccer bemoaned ‘administration martyrs’ who insisted on doing everything themselves and who ran ‘their own little fiefdom’. Reasons behind some volunteers getting to powerful positions was questioned especially at the National level as the Programme Manager of State Netball stated, “people got into positions that were quite powerful – and they say jump and we say how high?” (Interview 3)

Legal liability was a problem for volunteer directors especially if they were unaware of the legal ramifications of their position. With any problems with financing, volunteer directors (as all levels were incorporated) had to be extremely careful, as they would potentially be liable if they were unaware or misrepresented their organisation’s liquidity position. Only the General Manager for State Surf Lifesaving was actively assisting members with information and support. Archival data revealed that the organisation was the only one which explicitly incorporated any aspects of assisting and supporting the lower level (clubs) in its constitution.

Although State Surf Lifesaving was explicitly assisting members and hence did not treat the lower levels as completely autonomous, the other organisations held that as the lower levels of the organisation were incorporated in their own right they were autonomous. This severely limited the authority of a state level organisation with the only real power being to disaffiliate the lower-level organisation if it did not comply. The constitutions for State Netball and State Soccer did not specify the relationship with the lower level.

State Surf Lifesaving explicitly identified the relationship with the clubs with a clause in its constitution that all clubs were subject to the control of the state body. State level's constitution mirrored the National level's constitution, but it did not enforce that constitution on clubs. State level did draft a model constitution, which could be adopted by the clubs. A number of the objectives listed in the state constitution were directly focused on clubs, not treating them as purely autonomous:

*To enforce observance of rules and regulations of SLSA and adjudicate upon disputes and difficulties between affiliated clubs*

*To externally administer or assist Clubs experiencing administrative, operational or financial difficulties (SLS Tas Constitution 2007)*

The General Manager for State Surf Lifesaving explored the problem of volunteers carefully and believed that a major component of incorporating volunteers was managing expectations and exploring psychological contracts. It was important to recognise:

*If **your perceptions and expectations aren't met** and you're doing what you want to do and they don't meet mine then it **causes problems and conflict** and tensions which if not managed well leads to upset members and problems and often lost members, retention rates drop, and people go "well why would you want to be part of them, they are so stuck in their way" and all those things. (Interview 5)*

State Surf Lifesaving had a "Volunteer Advisor" position listed in their Regulations to "raise enjoyment and satisfaction" among volunteers, highlighting the importance of human resource management, a point that was not explicitly incorporated by the other sporting organisations<sup>16</sup>.

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<sup>16</sup> A follow up interview revealed that although the position was created, by far the most effective means of explaining issues to volunteers was face-to-face.



All interviewees recognised the problems with volunteers with the Netball

Association President explicitly recognising the importance of the volunteers, (if not the management of them):

*[The General Manager] always gets impressed with me when I sign off and say whatever it is on an annual report: **it's not the buildings that are important it is the people.** And I believe passionately in that because our members are what make our Association really strong and we have a really strong club base. (Interview 4)*

The General Manager for State Surf Lifesaving went further, explicitly recognising the social capital resulting from being a member of a sporting organisation. In the 2006 annual report the President of the National level of Surf Lifesaving explained how his involvement had enabled him to give something back to the community. He commended the whole organisation for the way members saved lives in a selfless manner, which was representative of the volunteer ethos, heralding the organisation as “*a true success story of volunteerism and service*” (Interview 5).

Social capital is often recognised to be a major reason behind the existence of sporting organisations. Although it was not explicitly recognised by the other sporting organisations in this research, they implicitly recognised it; for example, the President of the Netball Association explained the Junior Leadership Programme they instigated with a grant:

*But that one, it was just something they wanted if there was a programme that could be situated around juniors and we were looking for something other than player development. There's always something around the coaching side of things and this is a **bigger picture thing**. It's been good over time as quite a few of those girls have gone on, in fact one of our junior leadership girls was a Rhodes Scholar, and we've had lovely stories from some that have gone on and done, not because of that, but that they were those sorts of people that got involved in it. (Interview 4)*

#### 7.3.4 Governance

As each voluntary sporting organisation had to be incorporated, they could adopt a legal model set of “rules” (constitution) with any points missing from their organisation’s constitution automatically inferred from the model rules. As a company is regulated under federal (national) law, the model rules would be determined at a federal level. In contrast, an incorporated association is incorporated under the legislation of its particular state, so that the model rules are determined by each state. It would be expected, therefore, that there would be differences in the constitutions of those incorporated as a company and those incorporated as an association, but instead there was broad consistency within the model rules on the areas identified within this research.

An important use of the constitution was to dictate the minimum amount of formal accountability for particular levels of the organisation as discussed under the theme of *Board Operations*. Constitutions were also important for specifying the amount of control that a particular level of the organisation could exert; for example, the National level of Touch Football (under the unitary structure) had complete control over the State. At National level the constitution had a clause that it would establish, support and regulate State Councils (except NSW and Qld). Affiliates (lower level) agreed to be bound by the National level constitution and had to match their constitution with the National level or run the risk of the National level vetoing any provision that was contrary to the National level’s constitution. However there was also a clause (similar to State Surf Lifesaving) that if the Affiliates were in any administrative, operational or financial difficulties the Association may assist. State level had no input into the relationship between National level and the Affiliates.

As was recognised in the Netball data, the General Manager of State Soccer found that volunteers were not comfortable with profits being made in a not-for-profit organisation. He believed this was a hurdle that had to be overcome if the organisation was to grow. The General Manager of State Soccer and the General Manager of State Touch Football both suggested that sport organisations should be run similarly to a business, with profits required in order to grow the organisation. This can be a shock to the not-for-profit culture when it results in change as in Touch Football.

When the National level took control of the finances in Touch Football, volunteers were invoiced by the National level and had to pay their own way such as when refereeing interstate. This was problematic as previously many volunteers had been supported by not being required to pay.

*Because if they are constantly subsidising and paying for people then we can't have paid people to do the work that we need to do: go into schools, run clinics, do coach education. So what do you do, send three managers away or do you put money into a Game Development Officer or State Manager? You **put your money into a State Manager** and people have to pay their way.*  
(Interview 7)

Even the change in invoicing method (as this was changed to National level) was problematic as they were late invoicing members and provided little support to State level: *"There's no guidance, we're almost invisible"*. (Interview 7)

Although all General Managers agreed that there was no **direct** focus on profit, there was the possibility that if finances did fail volunteers could run the organisation (as had happened with the State Board for Netball). There was an equal or greater possibility that this may not happen with a resulting complete collapse of the sport

within the state. The loss of organisational knowledge through the loss of paid staff even with a small reduction in funding would prove difficult.

Interviewees' views on governance, particularly the relationship between governance and the level at which it was recognised, was an integral part of their governance structure, the culture of their sport and their own training on governance. For example, the federal structure of State Surf Lifesaving was reflected in the view of the General Manager:

*I suppose it is the leadership, I don't like the word as much 'control', but it is more the leadership and the direction steering forum or media for the organisation. So it is those providing the direction and leadership for the rest of the organisation. (Interview 5)*

This could be compared to the top-down approach to control of Touch Football and State Soccer. As the State Soccer General Manager explained, "*they make policy which we must follow*" (Interview 6). State Soccer also claimed it could not require any level of governance in the Clubs and Associations – it had "*no real input*".

For state level Touch Football there was absolute control by the National level because the State level was essentially a branch of the National level. State level also could not require any level of governance by the Affiliates (at a lower level), as it had no power and "*as a legal entity they can do whatever they want to*" (Interview 7).

While the constitution was considered to be the main avenue for governance; interviewees questioned the operational value of the document. As the General Manager of State Soccer explained:

*Many have never even read their constitution, been a president for 5 years and don't even know what the constitution is. I don't think anyone would*

*complain too much if they don't lodge updated constitutions, the legal people have got much more important things to look at than a little club. What bothers me is that they use their constitution to backup what they can't do. They try and find something in their constitution that backs up their argument of why they can't do something. Instead of saying well we should do this because of the good of the sport, let's look at ways we can change the constitution so that we can, they use it to stop change. (Interview 6)*

Differences between the archival data such as the constitutions and the interview data also questioned the operational value of some of the archival data. For example, although a constitution may specify that directors be rotated every two years this was often “overlooked”. The archival data documents were very limited in the governance aspects they did cover.

#### **7.4 Summary of Themes**

A summary of the evidence categorised by themes is provided in Table 7.3. Interview data was the primary evidence with archival data used to triangulate the interview data. Archival data was valuable in understanding the level of compliance and the level of integration and as it was created by the organisation over a considerable amount of time (and did not reflect on-the-spot interview responses from an individual) it provided a more balance organisational view.

**Table 7.3 Summary of Evidence**

<b>Themes</b>	<b>Netball</b>		<b>Surf Lifesaving</b>		<b>Soccer</b>		<b>Touch Football</b>	
	<i>I</i>	<i>A</i>	<i>I</i>	<i>A</i>	<i>I</i>	<i>A</i>	<i>I</i>	<i>A</i>
<b>Board Recruitment</b>								
- Join for children	✓	0	✓	0	✗	0	✗	0
- Sport experience	✓	0	✓	0	✗	0	✗	0
- Balance	✓	0	0	0	✗	0	✗	0
- Gender mix	✓	0	0	0	✗	0	✗	0
- Marketing and lobbying	✓	0	✓	0	✓	0	✓	0
- Networking	✓	0	✓	0	✓	0	0	0
<b>Board Operations</b>								
- 7 directors	✓	C	✓	C	✓	C	✓	C
- Sub-committees	✓	C	✓	C	0	0	0	0
- Board roles and rotation	✓	C	✓	C	✓	C	✓	C
- Communication	✓	AR	✓	AR	✓	AR	✓	AR
- Separate operations	✓	0	✓	0	✓	0	✓	0
- General Manager employed	✓	AR	✓	AR	✓	AR	✓	AR
- Director independence	✓	C	✓	C	✓	C	✓	C
- Effectiveness	0	0	✓	0	0	0	0	0
<b>Human Resource Management</b>								
- Attracting and retaining (complacency, change difficult)	✓	AR	✓	AR	✓	AR	✓	AR
- Relationships (cannot force volunteers to do anything)	✓	C&AR	✓	C&AR	✓	C&AR	✓	C&AR
- Training e.g. legal compliance	✓	0	✓	0	✓	0	✓	0
<b>Governance</b>								
- Constitution	✓	C	✓	C	✓	C	✓	C
- Financial management/finances	✓	AR	✓	AR	✓	AR	✓	AR
- Accountability	✓	C&AR	✓	C&AR	✓	C&AR	✓	C&AR
- No requirement for level of governance (autonomous)	✓	0	0	0	✓	0	✓	0
- How Board runs organisation	✓	0	0	0	0	0	0	0
- Structures and procedures by which the game is run	0	0	✓	0	✓	0	✓	0
- Providing direction and leadership	0	0	✓	0	0	0	0	0

*I* = interviews

*A* = archival data

*C* = constitution

*AR* = annual report

*0* = no evidence

## 7.5 Summary

The focus of board recruitment on sport experience or skills appeared to be a function of the governance structure of the sport, which in turn reflected the sport's culture.

Themes underlying board operations differed little, but actual practices varied, reflecting the governance structure particularly in relation to the link between the national and state levels.

Independence of board members was promoted as “good governance”, while ignoring gender balance, with the separation of the General Manager’s role to focus on operational over strategic decision-making not occurring. In fact the General Manager often worked very closely with the Chair of the Board; at the Netball Association level (s)he was expected to be autonomous.

The autonomy of incorporated organisations meant they had complete freedom to run their organisation as they saw fit. Although the state level appeared to be more constricted; in many cases having to mirror national level constitution. A greater barrier, however, appeared to be the nature of volunteers and their unwillingness to recognise authority even if it was required in a constitution.

The addition of diverse sporting organisations to the results revealed all the organisations had strong essential similarities especially in the context of volunteers. Many of the themes were impacted by the human resource management element involved in managing volunteers. Well-managed volunteers were a great addition to social capital with communication appearing to be a key driver. The next chapter will discuss this further with the findings incorporated with the literature and the government’s role in governance of volunteer sporting organisations.

## **Chapter 8**

### **Conclusion**

#### **8.1 Introduction**

This chapter reflects on the understanding gained of how the not-for-profit voluntary sporting organisations practiced governance: what they understood as governance and how and why particular governance structures were implemented. A summary of the grounded theory research undertaken in the thesis with reference to the literature and the research questions that were raised in Section 4.5.2 leads into an explanation of the theoretical and practical significance of the findings for governance in the sector as a basis for future research. Constraints on the research process and findings are identified.

#### **8.2 Governance and Not-for-Profits**

The not-for-profit governance literature is very broad. Governance and effectiveness are identified as social constructs which can only be understood in a particular context. That context is one of change due to problems of recruitment of volunteers and increasing demands for accountability. Many not-for-profits (such as sporting organisations) have been forced to incorporate which has added legal burdens increasing the formal layer of accountability. These issues have led to an increase in professionalisation in the sector with paid staff as administrators and general managers. The impact on the organisational board from the interaction between volunteers and such paid staff, particularly volunteer boards and general managers, is an area that has been recently identified as requiring further understanding (Hoye, 2006).



Historically, Australian not-for-profit volunteer sporting organisations were organised under a delegate system, operated for the members by the members (Shilbury, 1993). Members are represented at each level of the organisation: the club, association, state and national level through a board at each level. Governance is dependent on volunteers and the delegate structure. The impetus to professionalise sports and make them incorporate with for-profit corporate governance techniques and structures have been questioned in such an environment (Hamil, 1999; Mosley, 2001).

The lack of a commonly agreed definition of governance (as recognised in 2005 by the Australian Sports Commission) possibly reflects the lack of theory development to explain governance in not-for-profit organisations. This has led to the corporate governance literature being used as a default even within the volunteer not-for-profit sporting sector.

With the literature lacking a full understanding of governance, and with so much of governance reliant on social constructs, this thesis employed an inductive grounded theory approach to data collection to gain an understanding. Grounded theory enables any unique aspects that are evident in volunteer sporting organisations to be captured within the data and enhances the exploration of theoretical explanations through the development of themes. The findings obtained through the grounded theory approach are discussed in the following section.

### 8.3 Findings

The main research question to be answered was:

*What do members of volunteer sporting organisations understand as governance for their organisations and how and why are particular governance structures implemented?*

Although diverse organisations were chosen to answer this question, the themes distilled from the views of those interviewed were very similar. This possibly reflected the strong member based volunteer sporting culture that dominated the governance structures. The various interview questions (Section 4.5.2 and Appendix F) were developed to best answer this main research question and the findings from these are summarised below in the context of the research question.

#### 8.3.1 What do Members of Voluntary Sporting Organisations Understand as Governance for their Organisations?

Governance was defined as the structures and procedures by which the sport is run. Interviewees specified that they disliked using the word “control” and preferred the terms “direction and leadership”. Netball was the only organisation that focused on governance in the context of how the board runs the organisation (reflecting the recent efforts of volunteers to continue board operations after financial collapse), yet the word “control” was still avoided.

#### 8.3.2 How and Why are Particular Governance Structures Implemented?

##### 8.3.2.1 Control

Even though all the organisations avoided the word “control”, there were significant legal requirements which necessitate compliance. They all had to be incorporated,

which meant that each organisation had a constitution containing basic information required by law such as the number of directors, roles, rotation of board members etc. Although this reinforced the view that each of the clubs, associations and state level organisations were legally autonomous and therefore control by the NSO was not possible, the actual operational value of the constitution as a stand-alone governance document is questionable with evidence that it was often ignored or its relevance overlooked. This in part is a function of volunteers as a broad group, especially when their skill base for admission to the board is their knowledge and involvement with the sport, with often little legal knowledge. A high reliance is placed on informal structures.

One element of control that was imposed from the national level was the governance structure of the organisation as a whole. The unitary model impacted on representation with independence of the board a dominant feature. This independence enabled a business skill-set to be sought and meant that board recruitment no longer focussed on knowledge and involvement with the sport (reflected in Touch Football and to a lesser extent in Soccer). The federal model was the opposite, with a strong sense of ownership and board recruitment directed at sport knowledge (reflected in Surf Lifesaving and Netball). Even so, the impact of the governance structure as unitary or federal was found to have little impact beyond state level with the state acting as a buffer between national level and the lower levels such as associations and clubs. Those lower levels were largely treated as autonomous as long as they were able to continue in running the sport with little requirement for formal accountability (other than the legally compulsory constitution), and only Surf Lifesaving requiring any formal accountability to state level.

#### *8.3.2.2 Relationships Between General Manager and Volunteer Board*

In the organisations that had established a relationship (so it was not a new position), the relationship was extremely strong. The general manager was central to the organisation and was empowered to contribute to the board as well as manage the organisation. All organisations recognised that marketing and lobbying were important skills and control over financial management and finances were a component of governance, along with compliance with legal regulations, yet it was only the general manager who would have those skills. It was only in the new general manager's position (in State Netball) that there was any hint of uncertainty in the limits of the role. The general manager was a critical link between communication and compliance (formal and informal accountability) with external providers and the volunteers.

Interviewees from all organisations recognised that operational and strategic management should be separated, with the general manager responsible for operations and the board responsible for strategy. However as the general manager was always employed due to professional business expertise and was responsible for the efficient operations of the organisation, in reality these responsibilities overlapped. Volunteers could seek advice and guidance from the general manager at an operational level and the general manager could also raise strategic issues at a strategic (board) level.

#### *8.3.2.3 Relationships with Stakeholders*

Communication was recognised by all organisations as critical for managing relationships with stakeholders, especially volunteers. Formal documents such as annual reports were written using collegial language with recognition of key

stakeholders with a focus on building trust, confidence and loyalty. Formal accountability was very minor with annual reports often not freely available to the general public. Similarly financial accountability was minimal. The major aspect to which the board and the general manager were held to account was through the organisation and continuance of the sport. Informal means such as networking, with a strong focus on personal communication, were found to be essential. Relationships between organisational levels were dependent on clear lines of communication rather than any hierarchical structure.

#### *8.3.2.4 Measurement of Effectiveness or Performance*

Other than in Surf Lifesaving, effectiveness or performance was not measured for the board or the organisation, although this was an area that was being explored. Surf Lifesaving had many different measures of performance relating to quantity measures (such as number of hours beaches were patrolled, number of rescues) with quality more difficult to measure. Financial measures were not used by any organisation as a measurement of effectiveness. Performance was only questioned by constituents when the sport was not running smoothly, so accountability was from the bottom-up.

Positions held by the interviewees appeared to influence their emphasis on financial performance, with employed professional general managers having a different view to volunteer presidents. Although insolvency is a legal issue potentially affecting all incorporated organisations, it was not a primary consideration where volunteers were able to run the organisation with minimal funds. However, for the general managers it was quite significant as it was their livelihood, severely influencing their ability to be

able to plan for long term objectives due to a lack of financial sustainability and planning in the organisation.

#### *8.3.2.5 Volunteers and Governance Issues*

There were many aspects that were particular to volunteers that affected the governance of the organisation. Change, particularly change of the governance structure, was a big issue as it often resulted in many volunteers leaving. Interviewees noted the gradual change to an increased emphasis on independence of directors on their boards. This was met with some resistance, as independence was not an issue under the delegate system with representation of members at every organisational level. The limited amount of time volunteers were able to contribute was also an issue, which meant that staff had to be employed and this often led to volunteer dissatisfaction. Empowerment of volunteers along with a communication strategy was recognised as important to reduce turnover with understanding the motivations of the volunteer through an induction process assisting in aligning expectations.

#### *8.3.3 Themes Explaining Governance Structures*

Three central themes emerged that underpinned why voluntary sporting organisations implemented particular governance structures. These themes were board recruitment, board operations, and volunteer management (HRM). The importance of understanding the impact of running an organisation with volunteers was highlighted through every theme. Yet these themes were not formally accountable in the organisation through any documents (other than the legally required constitution).

#### *8.3.3.1 Board Recruitment*

With the formal governance structure (unitary or federal or a combination) for the whole organisation instituted at national level the main impact was on state level with board recruitment and operations reflective of that structure. Unitary structures required an independent board with the skill set more oriented to business skills than sport skills for board recruitment. The opposite was found for the federal structure. However this was not imposed at lower levels of the organisation with the recognition that they were run by volunteers and as autonomous legal entities they were empowered to run the sport without interference. Control from top-down was not an aspect that was either possible or necessary with volunteers, as long as they were able to continue to run the sport. Other than the unitary or federal structure and to a minor extent those that were legally required in their relevant constitutions, governance structures were informal in nature and heavily reliant on personal communication with relationships built on trust and loyalty.

There were no policies on recruitment with volunteers filling board positions usually through personal invitation from the president. Board recruitment was made through relationships and predominantly the initial involvement was due to a direct link in the sport – playing it themselves or their children playing. Skill sets were not relevant for most positions, but having the particular sport experience (understanding the culture) and being able to provide the time to participate in meetings and relate to others were important “skills” for board membership. The one skill set that was actively sought was for the role of treasurer. Gender balance on the board was not sought.

#### *8.3.3.2 Board Operations*

Board operations were similar among the organisations studied, reflecting the needs of the level of the organisation. Most boards had a constitutional limit of seven directors, with club level boards having more directors, as they required fuller representation at the operational level. Yet although rotation of directors was included in each organisation's constitution, it was not always followed through in practice. Similarly, although some organisations had a constitutional requirement for the associations to lodge documents with the state level, it was not always enforced. Due to great difficulty in getting members to agree to any changes in constitutions and the careful drafting required due to legal ramifications, the constitutions of the organisations studied lagged behind changes in board roles and governance structures. Hence when a general manager was added there was no defined governance role in documented data until sometime later.

#### *8.3.3.3 Volunteer Management*

Although the interviewees believed that governance was defined by the structures and procedures by which the sport was run, in reality it relied much more on informal communication channels due to the very nature of the volunteer base involved. This is why the terms "direction and leadership" were used and the word "control" avoided. Even though incorporation imposed legal requirements on the organisations, the formalities were quite often overlooked. These findings are discussed further in the next section with their practical and theoretical significance identified.



## 8.4 Significance of Findings

The theoretical and practical findings are summarised in Table 8.1 and are discussed and explained in the sections that follow.

*Table 8.1 Practical and Theoretical Findings*

<b>Finding</b>	<b>Practical</b>	<b>Theoretical</b>
Importance of volunteers	Central to governance and management	Not addressed, perhaps resource dependency and stewardship theory
No policy for board recruitment	Informal	Direct contrast to agency theory
No measure of effectiveness	Informal	Direct contrast to agency theory
Importance of communication	Informal	Not addressed, perhaps stakeholder theory
Lack of emphasis on legalities	Informal	Direct contrast to agency theory
General Manager role as mediator and information provider	Link between volunteers and legal requirements	Direct contrast to agency theory
Importance of sport culture for board directors	Assists with mission	Not addressed, perhaps stewardship theory
Confusion as to requirement for independence of directors	Question whether required	Direct contrast to agency theory, perhaps stewardship theory
Lack of gender balance	Not pursued	Difficult to align with resource dependency theory
Board operations similar	Similar number of directors on board and roles assigned	May reflect institutional theory

#### 8.4.1 Practical Significance

The impact of volunteers on the governance of the member-based organisations is significant. Informal methods of recruiting, managing and evaluating the organisations reflected the reliance on volunteer members to run their own organisation for their own benefit (to play the sport). Communication (especially face-to-face) was found to be critical so that the volunteers (members) retained a feeling of ownership of the sport and maintained a strong relationship with the board.

Legal formalities (such as the constitution) were often ignored or overlooked unless complaints were voiced, reflecting the lack of a formal process to ensure compliance or formal accountability. Similarly, unsolicited complaints were used as a guide to whether members were satisfied and the sport was running effectively and fulfilling its mission – essential for the critical accountability measure for the organisation. This somewhat explains why the role of the general manager as a crucial communication link between the legal requirements and the informal methods of governance used in the sporting organisations has been so integral to these organisations.

Board members who understood the sport culture aided in fulfilling the mission of the organisation, which explained why many members questioned the drive for “independent” directors. This drive appears to be at odds with the historical delegate model and has been interpreted differently within each organisation: “independent” of the sport; “independent” of another board in the same organisation; or “independent” in not being an employee of the organisation. This independence requirement needs to be carefully considered, because in these organisations with governance taking on a

supportive and directive role, it is at odds with the strong stewardship role evidenced by the volunteer member boards.

#### 8.4.2 Theoretical Significance

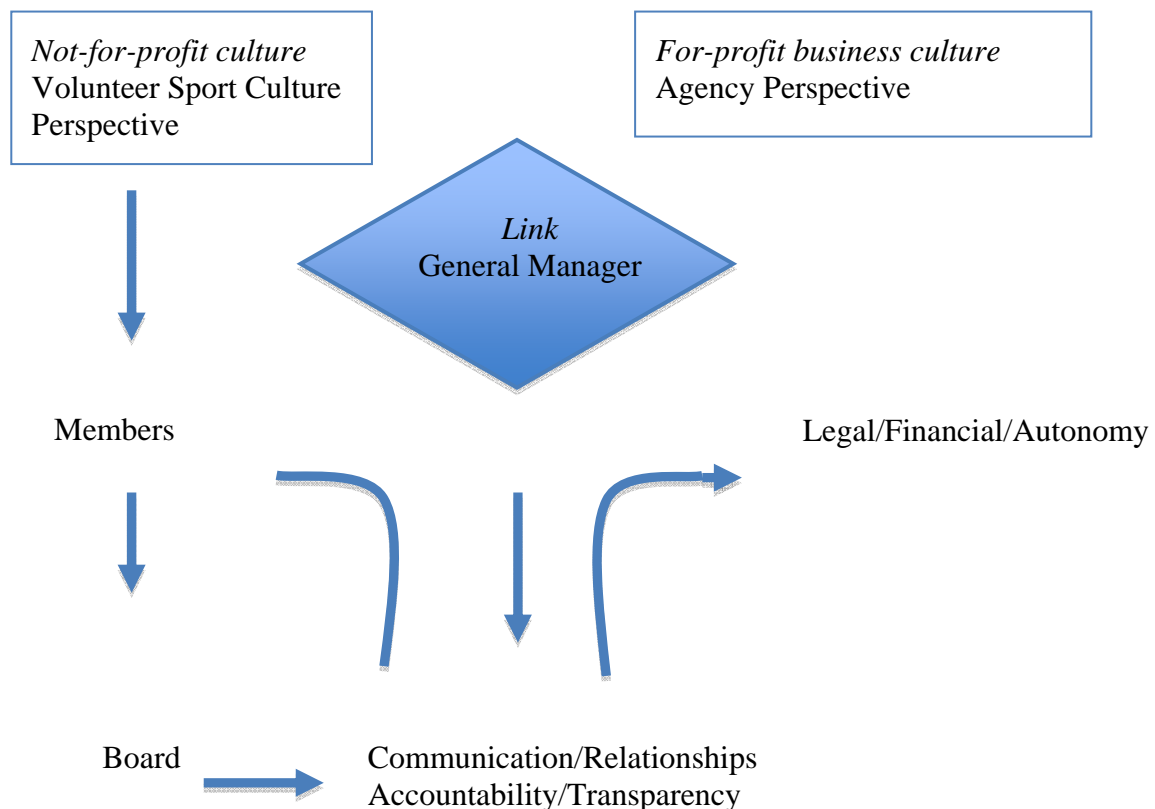
The grounded theory approach was appropriate for the research as there was little theoretical development in the not-for-profit sector, and none at all in the volunteer sporting organisation sector. Grounded theory aided in providing a solid foundation for future theoretical development by exploring what was revealed from the data. The success of this method was evident with themes revealing the critical importance of the role of volunteers in governance not evident in the existing literature.

The findings of this research are difficult to align with the theories commonly used in the literature explaining corporate governance practices. Theories used in the for-profit literature have little relevance for the organisations studied, due to their volunteer base. Volunteers are reliant on informal processes and a high level of communication with a common understanding of the mission (through a knowledge of the sport culture), and are not so interested in legal requirements developed for the for-profit sector when implementing governance structures.

Governance is only questioned when accountability is questioned. Accountability was discharged by running the sport. Legal and other compliance requirements were evidenced by a more formal accountability measure (such as financial data). These different accountability measures required different knowledge – running the sport required expertise in the sport, whereas formal accountability required financial and legal expertise. The problem of discharging different accountabilities was largely met

by the general manager acting as the link between being accountable for the mission (evidenced in the not-for-profit culture) and being legally accountable (evidenced by the for-profit requirements) as shown in Figure 8.1<sup>17</sup>. This reliance on the general manager to act as a link may explain the close relationship between the board and the general manager.

**Figure 8.1 Balancing Different Accountabilities**



To retain autonomy (and therefore be able to use informal governance structures without any control from above) the organisations had to comply with any external demands. This formal accountability was heavily reliant on business skills (discharged by the general manager). Formal accountability was a distraction to the organisations. The requirement for formal accountability was reduced with each lower level of the organisations and may be explained by the greater degree of closeness between

<sup>17</sup> This diagram was presented to the only general manager interviewee who still held the position at the end of this research, and he reflected on how it accurately represented his reality.

individuals in the organisation (Gray et al., 2006). Primary accountability was to their community for running the sport. Linking the two different forms of accountability required high levels of communication and strong relationships.

Accountability drives many of the issues recognised in this study. With the reliance on volunteers there needs to be an acknowledgement of their role in any theory development with a particular emphasis on a very high level of communication between the board, the general manager and the volunteer members (resulting in many informal processes).

The use in this research of grounded theory was able to reveal the importance of volunteer management in governance and explain the role of the general manager. This contributes to a more generalised theory of governance by highlighting the central role of accountability in governance and the need to understand accountability in operation.

## **8.5 Constraints**

The findings rely on the sample selection and analysis. The sample was selected from Tasmanian volunteer sporting organisations which may have created some regional eccentricities. Statistical analysis of sporting organisations across Australia and data on volunteers revealed no difference due to location (Australian Bureau of Statistics, 2006b); however this does not completely verify that there are no differences in social constructs of individuals.

The sporting organisations that agreed to participate in the study may represent bias because of their agreement to participate as opposed to those organisations which did not participate. Surf Lifesaving has very strong governance structures in place; State Netball identified problems with their governance structure and their relationships with their associations and while this was taken into account in the analysis and findings, potential predispositions to existing structures is important to note.

Studying four organisations may be a limitation. The four organisations each had different governance structures. Identifying themes common across all four organisations suggested that those themes could be common to other organisations regardless of their governance structure. Following the grounded theory approach once the themes had been saturated, there was no need to extend the study any further. Overall little difference was found in how the different organisations addressed governance practices. The common thread was a volunteer member-based sporting culture, rather than any uniqueness relating to a particular sport.

The aim of the research was not to seek generalisable results, but to understand and provide more depth to governance in the not-for-profit sporting sector. The lack of generalisability of the results does not detract from the identification of core aspects of these volunteer sporting organisations, providing a unique viewpoint from which to explore similar organisations. The practical significance of the research highlighted the need to have a strong focus on volunteers in all the governance practices and to reflect on that impact. The understanding of the importance of the sport culture in board appointments led to the identification of different aspects of accountability

being addressed by the CEO. This is a very different understanding of governance practices to that in the existing literature.

A central part of grounded theory is through the identification of themes from the interview and archival data, and the coding of the themes. Identification of the themes through coding of the data was reliant on the researcher. The coding was carefully documented and the codes and themes were verified by an independent person to address that potential validity issue, but some element of subjectivity may remain.

With all interview data there is a possibility that the participant is biased and the data is not representative of the actual position of the organisation. This was overcome to by triangulating the data both by interviewing at different levels of one organisation and by obtaining archival documentary data for all organisations with the aim of seeking corroborating evidence or differences between views expressed in interviews and the relevant documentary data. However the latter was not completely satisfactory as many governance aspects in these organisations were informal and had no documentation.

Interviews with the participants and writing up the results took place over a long time period and there was a possibility that some of the data would be dated or that something may have changed in the governance of the organisations during the course of this research. In order to ensure the data was still relevant, participants were given copies of the original transcripts to check for accuracy and then contacted again to ensure nothing had changed with their governance structures and practices. Emails and telephone interviews were used for this purpose.

Notwithstanding the limitations, this research was rigorous in its approach to minimise validity issues. Qualitative methods of analysis with triangulation of data and follow ups with the interviewees ensured subjectivity of the researcher was minimised and the data was a fair reflection of the interviewees' perspective.

## **8.6 Opportunities for Further Research**

As with any grounded theory approach, the results present many avenues for further research. Identifying whether the identified themes apply to a broader base of sporting organisations and even to other volunteer organisations would strengthen the results and findings.

While director independence has been pursued by some of the organisations, the definition of "independence" varied. It would be interesting to explore understandings of independence. Comparing organisations with independent directors and those without could be productive.

Communication is central for volunteer sporting organisations and informal personal communication appears to be more accepted than formal documents and policies. This does not necessarily reduce the level of governance occurring in these organisations, but it becomes less transparent. Analysis of communication in these organisations may assist professional staff to understand and work more effectively with the volunteers



Longitudinal case studies of sporting organisations may be beneficial to further an understanding of the difficulties volunteer sporting organisations have in complying with legal obligations. Such studies may reveal reasons for changes to governance structures. It could be partly identified by finding the differences between the organisation's constitution and the *Model Rules* (constitution provided by the relevant legal body) with the organisations questioned on the reasons for the changes. This should identify further problems in the organisation having to adhere to legal protocols from within a volunteer framework. The evidence gathered could be compared to pronouncements by the Australian Sports Commission, particularly its *Governance Principles of Best Practice* and the funding grants it provides for governance to examine if they are aligned.

The theoretical significance of the results of this research highlighted the importance of the CEO in these organisations, especially in regard to complying with legal obligations. Although professionalisation of the sector has been explored quite prolifically in the sport management literature, the role of the CEO with accountability has not been raised. The different aspects of accountability, from ethical accountability to the legal requirements are all integral to governance, yet how these are operationalised has received little attention. Further exploration of the CEO in this role is warranted to build on the theoretical significance of the findings.

## **8.7 Concluding Comments**

Using a grounded theory approach to identify what volunteer sporting organisations interpret as governance and its implementation enabling the beginnings of a theoretical explanation to support future research is an essential contribution of this

thesis. Although volunteers are recognised as integral to not-for-profit organisations, their impact on the governance of the organisations has not been detailed.

Accountability has not been explored in the sector but can explain some of the problems encountered in the sector and the ways in which these organisations have attempted to overcome these issues such as using the general manager as a link between discharging different accountabilities. This is especially important with board members volunteering from an interest of the sport rather than having commercial skills, and their success may relate to their level of stewardship in the organisation and ability to discharge the primary accountability – running the sport.

Although there is a strong push for independence, this needs to be examined closely to ensure it is not recognised as a form of control with an acknowledgement that it is contra-indicated with stewardship theory. Communication and relationships are very important to the sector and this may explain why informal processes are the norm; however this does make it difficult when there are legal requirements with which to comply. The general manager is essential in bridging the gap between fulfilling these requirements and maintaining a contented volunteer board and organisation, with the most essential performance measurement recognised to be that the sport has to continue and the members and the community are satisfied.

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## Appendices

**Appendix A: Initial Source of Data - Tasmanian Sporting Organisations Listed on Tasmanian Department of Sport and Recreation Website 2007**

Rowing – email provided

Hockey – email provided

Golf – email provided

Bowls – email provided

Tennis – email provided

Soccer – email provided

Touch Football – email provided

Netball – email provided

Basketball– email provided

Surf Life Saving – email provided

Cycling – no email provided

Cricket – no email provided

## **Appendix B: Initial Contact Email**

### **Re Sporting organisations and governance: nature or nurture?**

I am a lecturer in Accounting and Corporate Governance at the University of Tasmania and I am interested in how sporting organisations deal with governance issues. This interest is the basis of my PhD programme. I believe that this area (governance in Tasmanian sporting organisations) is important to both Tasmania and elsewhere. Currently little is known about how governance works at a local sporting level and how it is affected by outside influences, and no research in relation to this has been carried out in Tasmania. I believe, with help from organisations such as yours, this study will provide guidance on best practice in such institutions and these findings can be passed on to your organisation.

In an effort to understand how governance works in your organisation, I will be seeking interviews with members of the board and access to relevant documents. At this stage, as I have yet to get ethics approval for this project from the University, I am only seeking your in-principle approval for your organisation to participate in the study. Confidentiality of members is assured, and all interviewees will have the opportunity to check the transcribed interviews for accuracy and may edit or withdraw the data as required. Under University guidelines, I am not permitted to approach any member of your organisation directly and I will need your assistance to send information and consent forms to your members once I have gained ethics approval. If they wish to participate in the study they will be required to contact me directly. Participation in the study is, of course entirely, voluntary.

I sincerely hope that your organisation will be able to participate in this important study and look forward to a positive response.

Regards,

Sonia

Sonia Shimeld  
Lecturer  
Accounting and Corporate Governance  
University of Tasmania

## **Appendix C: Email for Board Member Participation**

### **Re Sporting organisations and governance: nature or nurture?**

I hope you are able to assist me with my PhD research. J<sup>18</sup>, Chair, has very kindly agreed on behalf of Tasmania Netball Association, to participate in this study. With this email is attached an information sheet and consent form.

As you will read from the information sheet, I am researching governance in not-for-profit sporting organisations. I am very keen to conduct interviews with experienced board members. Your views on governance in Netball at the local level are vital to this study.

This research has never been undertaken in Australia and we have a unique opportunity in Tasmania to develop an understanding of the complexities of sporting organisations' governance. This study will ultimately benefit all such sporting organisations across the nation by providing guidance on best practice.

If you agree to be a part of this research, please reply to me either by email [Sonia.Shimeld@utas.edu.au](mailto:Sonia.Shimeld@utas.edu.au) or phone 03 6229 7835 (as on the information sheet). The maximum time of the interview will be an hour and will be conducted at a time and place that is convenient to you within the next week or two.

I sincerely hope that you will be able to participate in this important study and look forward to hearing back from you soon.

Regards,

Sonia

Sonia Shimeld  
Lecturer  
Accounting and Corporate Governance  
University of Tasmania

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<sup>18</sup> Full name was provided in original email.

## **Appendix D: Information Sheet for Participants**



School of Accounting &  
Corporate Governance

Tuesday, September 18, 2007

### **Information Sheet for the study of Governance and Sporting Organisations: Nature or Nurture**

You are invited to be involved in an interview which will explore your perceptions of the impacts and changes on governance in your local sporting organisation. The chief investigator for this research is Professor Gary O'Donovan, Dean of the Faculty of Business. Sonia Shimeld will be conducting the research. She is a lecturer at the School of Accounting and Corporate Governance at the University of Tasmania and is undertaking this research to fulfil the requirements of a PhD degree.

#### **What is the purpose of this research?**

The interest in governance has grown significantly following the collapse of large organisations such as HIH and Enron, and the public are demanding a higher level of accountability. Yet very little is known about governance for not-for-profit sporting organisations, particularly at a local level, and nothing is known about governance in Tasmanian sporting organisations. How sporting organisations are dealing with pressures on governance and whether all organisations are affected the same, is the focus of this research.

#### **What benefit will I or others achieve by being involved in this research?**

The data that you, and other sporting organisation members provide will aid in the understanding of the impacts on governance practices which are reflected in different governance structures. With this understanding, guidance on best practice will be developed and these findings can be passed on to and used by organisations such as yours.

#### **Why have I been chosen to be in this research?**

You have been chosen to participate in this research, as you are a member of the board of a not-for-profit sporting organisation. As a member of the board you would be more familiar with the governance structures within your organisation.

#### **What will my participation involve?**

It is anticipated that the audio taped interview will be an hour in length, and will be carried out at a time and place convenient to you. Once the data is transcribed you will have the opportunity to read and edit, modify or withdraw it.

**Are there any risks to me?**

There are no foreseeable risks of your participation in this research. Your name will be treated with confidentiality and will not be identifiable from the research output, as pseudonyms and codes will be used and all identifiers removed from direct quotes. You will have the opportunity of reading all data to ensure any identifying data has been removed.

**Will I be identifiable by being involved in this study?**

Data confidentiality is assured as the data will be stored in locked filing cabinets and transcribed data will be on password-protected computers. This will be maintained within the School of Accounting and Corporate Governance at the University of Tasmania for five years before being destroyed (with the paper shredded and the computer files erased).

**Can I withdraw from the research if I wish?**

It is stressed that participation in this research is entirely voluntary. You may decline to answer any question, withdraw at any time without effect or explanation and should you so wish, also withdraw any data you supplied to date where it is identifiable, any time before March 2008. A consent form is attached and will need to be signed prior to participation.

**Who do I need to contact if I have any questions about the research?**

If you have any questions about the research or need more information, please contact the Chief Investigator:

Professor Gary O'Donovan  
Telephone: (03) 6226 2278

Email: [Gary.ODonovan@utas.edu.au](mailto:Gary.ODonovan@utas.edu.au)

Or Investigator:

Sonia Shimeld  
Telephone: (03) 6229 7835

Email: [Sonia.Shimeld@utas.edu.au](mailto:Sonia.Shimeld@utas.edu.au)

**Has this research been approved by an ethics committee?**

This project has received ethical approval from the Human Research Ethics Committee (Tasmania) Network which is constituted under the National Health and Medical Research Council. The Committees under the HREC (Tasmania) Network use the *National Statement on Ethical Conduct in Research Involving Humans* to inform their decisions.

**Who can I contact if I have any concerns?**

If you have any concerns of an ethical nature or complaints about the manner in which this project is conducted, you may contact the Executive Officer of the Human Research Ethics Committee (Tasmania) Network: Nadia Majouri

Telephone: (03) 6226 7479

Email: [human.ethics@utas.edu.au](mailto:human.ethics@utas.edu.au)

**Am I able to find out about the results of the research?**

If you would like a **copy** of the final overall results, summary or complete thesis, please contact the Investigator, Sonia Shimeld via email ([Sonia.Shimeld@utas.edu.au](mailto:Sonia.Shimeld@utas.edu.au)) or telephone (03 6229 7835).

You will be given copies of the information sheet and statement of informed consent to keep.



Thank you so much for taking the time to read this information sheet. It is hoped that you will be able to participate in this study and we look forward to hearing from you shortly. Please contact Sonia Shimeld via email ([Sonia.Shimeld@utas.edu.au](mailto:Sonia.Shimeld@utas.edu.au)) or telephone (03 6229 7835) to confirm your interest.

Professor Gary O'Donovan  
Chief Investigator

Sonia Shimeld  
Investigator

## Appendix E: Consent Form

### CONSENT FORM

Governance and Sporting Organisations: Nature or Nurture

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1. I have read and understood the 'Information Sheet' for this study.
2. The nature and possible effects of the study have been explained to me.
3. I understand that the study involves a half-hour to one-hour interview on my perceptions of governance within my organisation.
4. I understand that participation involves no foreseeable risks.
5. I understand that all research data will be securely stored on the University of Tasmania premises for five years, and will then be destroyed.
6. Any questions that I have asked have been answered to my satisfaction.
7. I agree that research data gathered from me for the study may be published provided that I cannot be identified as a participant.
8. I understand that the researchers will maintain my identity confidential and that any information I supply to the researcher(s) will be used only for the purposes of the research.
9. I agree to participate in this investigation and understand that I may withdraw at any time without any effect, and if I so wish, may request that any data I have supplied to date be withdrawn from the research.

Name of Participant: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

#### Statement by Investigator

☐

I have explained the project & the implications of participation in it to this volunteer and I believe that the consent is informed and that he/she understands the implications of participation

Name of investigator \_\_\_\_\_

Signature of investigator \_\_\_\_\_

Date \_\_\_\_\_

## **Appendix E: Interview Schedule**

### **Semi-structured interview for board members**

#### **Initial question:**

#### **Member's understanding of governance**

- What do you define as governance in your organisation?

#### **Other questions used if required (if not addressed through interview)**

#### **Governance and the effective organisation**

- How important do you feel governance is to the effective running of your organisation?

#### **Factors affecting governance procedures**

- Have you been directed towards using any particular governance structures?

#### **Information on member**

- How long have you been a member of the board?
- Why did you become a member of the board?

#### **Workings of board members and relationships**

- What sort of relationship is there between the CEO and the board?
- How difficult is it to get board members and what is sought in board members?
- How does it manage relationships with its stakeholders?
- Are there any particular issues in relation to volunteers and governance?
- How well does the organisation communicate/account to its stakeholders?
- Do you measure effectiveness or performance of your board or organisation?

## **Appendix F: Memo from First Interview**

### **Memo 27 September – interview with Chair of Netball Tasmania (emailed transcript to Chair on 1<sup>st</sup> October)**

It's blown all my thoughts right out the window - they are hardly influenced at all at the state level by any stakeholder (even the national level and funders) in regards to their governance. Similarly they do not require anything of the Associations other than yearly financial reports and constitution, which many don't provide. Even though funders have KPIs that they should meet, it seems that they are never followed up on them - all tick the box stuff. The key thing is that they operate so that the sport can be played.

Finance is not a huge issue with volunteers (so being broke is no big deal if you have volunteers to keep everything running). It's like Maslow's hierarchy of needs - first you need the volunteers, if you get them then you can worry about the finer nuances of governance such as inductions, training, splitting policy and operational decisions, communicating with stakeholders etc. They were completely broke a few years ago and just the 3 of them ran the whole show - they had to sack all the staff and they are only just employing staff again.

The big issue with governance as she sees it is the legal one - as each Association is a company the members of the board do not understand that they cannot change, or act contrary to their constitution without special meetings etc approved by 75%, and hence many are getting themselves into difficulty without realising it. As they are all volunteers the state board does not want to scare them off with such information when they join, and they cannot get them to attend information sessions about it once they have joined - so how to train their volunteers is a huge issue.

This is all very different to the literature - sure they discuss volunteers but not in such a huge way. Maybe I should be following up on more volunteer literature. At the moment this is resource dependency theory, but not the financial side - rather the people side.

This is so exciting! I am definitely following up on this next year – she has promised that I can chase it all up to see how it goes. She recognises that getting a general manager to do all the operational work will be a huge change for many people and they may not accept it. So it will be interesting to see how that goes, and whether the Associations change their governance after training (if they attend training) - definitely a paper in that post PhD.

## **Appendix G: Deriving Codes and Themes**

### ***BR = Board Recruitment***

#### **Interest in netball**

Joined netball because of involvement with own children.  
Began by coaching.  
Played netball as child.

#### **Joining board**

Got onto board gradually.  
Became more involved.  
Got coaching qualification.  
Ran junior competition and joined it with the association.  
Became involved at national level on committees, State programmes.  
Unhappy with processes so became more involved.  
Suggested by others to stand for board.  
Dropped national level position as felt it conflicted.  
6 years as president.

#### **Qualifications for board members**

No formal qualifications.  
Have experience in finance from current job.  
Problem with getting volunteers on board so skills not sought. Attempt to target specific people. Board members join through own children.  
Living in different areas gives greater perspective.  
Volunteers are asked directly and may take time to decide.  
Advantage if they have or have had involvement in the sport. So involved in netball that have little contact outside the circle. May be detrimental if skills lacking.  
Difficult if have had no involvement with association.  
Members used to work their way up and were involved at different levels before volunteering for the board. Not any more.  
Easy transition from private boards as aware of legalities.  
Interest in profit may be detrimental. Balance important, so not all professional people on the board. Knowing sport important.  
Always had males on board. Important mix.  
Other states have male delegates.  
Not told to have gender mix on board. Males get further with lobbying.  
7 members on the board. Not in constitution.  
GM has netball experience.  
Marketing important and netball involvement added bonus.  
Culture of sport – understand it to be involved.

### ***BO = Board Operations***

Workings of Board  
Aim to be more strategic.

General manager employed to manage the sport.  
 Board's role to make decisions but not interfere with running of sport.  
 Main thing is ensuring programmes run.  
 Negotiated for funding with government.  
 Aims for consensus of opinion on issues.  
 Chairperson and finance person most important.  
 State board has sub-committees.  
 Not a strong chairperson.  
 Right board members, all want to improve the sport. Discussions and arguments result in best decision.  
 Have discussion but come to consensus and move on.  
 Discussion helps generate ideas. All have their say.  
 No roles other than chairperson and finance. No secretary. No deputy chair.  
 Used to have areas of responsibility, but not relevant with GM. Don't want to cross over with GM's responsibilities.  
 Keep operations distinct.  
 Registered members apply for nomination to board. Are not representing associations.  
 Following model ASC pushing.  
 ASC pushing to change constitution to ensure member independence.  
 States objected but individuals have since conceded.  
 States can influence national body now as acting as one.  
 Give associations opportunity to have their say.  
 Providing pathways and programmes.  
 Need to ensure club level is doing right thing.  
 Impact of new GM should increase information.  
 Didn't have time to do so.  
 Difficult to get information through to club level.  
 Ran into problems as could not get info out.  
 Started email newsletter.  
 Newsletter includes competition scores etc.  
 Increase in people looking at the web. New website under national level.  
 Believe it is because people are using websites more.  
 Time to maintain website.

## **Funding**

Change in government altered promised funding dramatically.  
 Did get 3-year funding.  
 Accountability critical for grant deeds.  
 State Sport and Rec provides regular funding.  
 Requires reporting on KPIs.  
 KPIs based on improving the sport.  
 Participation levels critical.  
 Funding reduced.  
 Prefer more security with sponsorship for national league competition.  
 All states the same.  
 Financial difficulties from entering teams in Victorian competitions without sponsorship. Hence importance of sponsorship for future national competitions.  
 Just accepted back into TIS. Part of KPIs.  
 Funding is grant from state government and paid to TIS.

Members not good lobbyists. Major improvement needed.  
 If become good lobbyists will not have to wait for an offer of funding, will go out and seek it.  
 Marketing important through GM.  
 CBA a sponsor through national association.  
 Most money from members.  
 Have not changed membership fees for years.  
 Maintaining membership.  
 National body increasing fees, and local levels increasing so mindful of impact on player. "That's what you're there for".

## **Governance**

Governance change more now than previous.  
 To overcome financial problems had to shut office and lose employees. 3 or 4 volunteers kept it going. Operational as well as Managing.  
 Difficult to change and pass over operational side.  
 Netball Australia overarching body. Each MO sends 2 delegates to AGM and Forum and elect board of Netball Australia.  
 Can be MO and on board of Netball Australia but will change. Was going to be a change in constitution but voted against.  
 Reason it was voted against was due to replacing people on MO.  
 States went through new constitution and met on contentious issues.  
 Since then those from MO have stood down from MO.  
 States similar in feedback on some issues.  
 Change in states. Used to just vote for your state and not communicate with others.  
 Now more of a collective, looking after others.  
 TNA similar setup to Netball Tas. Each association sends 2 delegates, have 2 meetings a year.  
 Members approve registration fees at state level.  
 Fees go to netball Australia as well as insurance component.  
 Accountability both up and down. Pay netball Australia and receive similar amount in subsidies. Provides expertise.  
 No level of governance required by national level.  
 Only expect 2 representatives.  
 Provide annual report and full financials (no different to government).  
 When in financial difficulties they were not questioned.  
 Similarly the state requires annual reports, financials and constitutions from associations and some do not send them in.  
 Haven't had time to do anything if didn't provide them.  
 Associations are incorporated bodies.  
 Will attempt to educate associations on governance due to issues that have arisen.  
 Turnover on boards high and lack basic rules and regs for incorporated bodies. Public Officer not passing on updated rule changes to Corporate Affairs.  
 Not told to change constitution. Felt it needed revision.  
 Used to have a larger board. Now board no longer represents associations.  
 Elected by associations. 10 affiliated associations.  
 No input into association's constitution.  
 Some used to have very large boards. Going to smaller boards and sub-committees.  
 Governance covers board – policy makers, and staff who carry out the policies.

Board must make right decision for the sport.  
 Take into account legal requirements.  
 Not using position to run own agendas. Need strong board to overcome difficult personalities.  
 Governance is how you run the sport (dictated by board).  
 Accountable in making right decisions or won't have a sport.  
 Accountable for decisions to members as will affect associations.  
 Make correct decision and have policies so in future also make right decision.  
 Changing now to strategic not operational role for board.  
 Attended seminars but no formal training in governance. Not trained through netball.  
 Work in incorporated body and have discussions about legalities. Interested in governance.  
 Not because chairperson. Wanted to do things properly. Had someone to talk to.  
 External parties good for discussion about legalities and process.  
 Governance will become more important in future because of public liability like insurance and correct rules.  
 Ensure constitution is correctly lodged.  
 Governance is not important if externally looks fine.  
 Local level most important for governance as that is what impacts directly on the player.  
 They just want to play and don't care about how it runs at higher levels.

### ***HRM = Human Resource Management***

#### **Issues with volunteers**

Kept on sub-committees, but time issues for meeting attendance.  
 Few volunteers willing to be on board due to past difficulties and workload.  
 Getting better as workload decreases and better future.  
 Has been huge commitment.  
 Willing to take a back seat.  
 Difficult getting people to turn up and express opinions. If moan later then undermines group.  
 Volunteers worked for 4 years to get finances back on track.  
 Volunteers unaware. State organisation responsible.  
 No training given.  
 No formal process. Need to do so. High turnover and no handover.  
 No longer have time.  
 Not aware of issues surrounding incorporated body. Inexperienced. No training. No manual.  
 Provide seminars but volunteers do not always attend.  
 Problem with unregistered players. Difficult to prove.  
 Make it attractive to be registered – marketing with GM.  
 Unable to fill positions.  
 Difficult to get volunteers on sub-committee.  
 Too busy doing everything, things slipped through. Time issue. 3 doing everything.  
 Volunteers unaware of legal implications. Difficult to educate if they can't understand why.  
 Don't want to give them lots of info when they join or might frighten them off.  
 Have not served at local level.



Want to educate associations: legal, financial, risk management.  
Auditor checks books, but how well?  
Sessions put on by council and sport and rec very poorly attended.  
Advertising events problematic as need to give right amount of notice.  
Difficult to educate if won't attend.  
As volunteers have no real ability to force them to attend.  
So involved at association level cannot see relevance.

## **Change**

Will be a big change.  
Difficult to change.  
Initial few months imparting knowledge about how things run.  
Reviewing and changing many areas.  
Difficult changing.  
Many people don't like change. Need to get unanimous agreement.  
Used to have employees in office but not general manager.  
Lost all employees and had to do everything in first 12 months.  
Threw out old constitution and started from scratch.  
Difficult to compare to old one and ensure good points kept.  
Change due to different personnel. State presidents good when looking at netball as a whole – concerned about each state.  
Many states with same issues and same agendas.  
TIS able to deliver the programmes. Athletes need day-to-day training environment.  
GM to manage that.  
Some people will struggle with passing the operations over.  
All agreed to having a GM. Initial impetus through offer of funding from government (which never came through).  
Meetings with all associations.  
Improving facilities most important issue.  
Trying to capture culture as well. Culture changing.  
Changing as society is changing.  
Culture is different as previously you worked your way up with coaching, umpiring, playing, admin. Now just want to play and don't care about anything else. Many have good qualifications but not prepared to volunteer.  
Will be passing finances to GM.  
Exciting change.  
Fought quick change, wanting slower change.  
ASC funded national board to change constitution and had discussions.  
Process took a long time as started constitution from scratch.  
Only told ASC pushing aspects in discussion, but not forced.

## ***PERF = Performance***

### **Importance of financial data**

Accepted junior association as was financial.  
Moved from member of board to president when board had financial difficulties plus other issues and former president resigned.

Associations need to go to state board and ask for assistance – must be proactive.  
Allow them flexibility with financial difficulties.  
Important for association to keep operating – leave alone.  
Don't question profit.  
Tend to ignore financials until in debt and then some members question.  
Will not question while sport is running along.

### **Success of organisation/board**

Measurement of how well they've done – participation levels.  
Relatively stagnant over 4-year period.  
Many players not registered or affiliated.  
Many run competitions outside the system.  
Insurance a problem if not affiliated.  
May sign waivers and believe it is a legal document.  
Can't sign away duty of care.  
State organisation took over running national school competition.  
Otherwise not part of national competition.  
Forthcoming decision on new national competitions.  
Successful board if sport operating and not running from once crisis to another.  
Member organisations not complaining.

## Appendix H: Final Codes and Sub-Codes used by Foreman

Board recruitment	How appointed	Invited
		Appointed
		Ticket
		Independent
	Prior involvement	Subcommittee
		Advisory group
		Family
		Past player
		Supporter/coterie
		None
	Nomination process	Board term
		Election process
		Eligibility
	Expertise	Financial
		Football
		General business acumen
		Legal
		Marketing
		Board experience
	Desirable board features	Mix of skills
		Unity
		Networks
		Confidentiality
		Robust discussion
		Integrity
		Personal characteristics
Board operations	Board roles	Policy/direction
		Monitor management
		Protect members' interests
		Appoint key staff
		Raise funds
		Role of CEO
		Public face
	Board meetings	Typical agenda
		Duration
		Attendees
	Director commitment	Committees
		Time spent
Performance	Role of club	Expertise demonstrated
		Win premierships
		Part of member's lives
	Formal review process	Community
		Monthly
	Performance based compensation	Six monthly/annually
		CEO/coach
	Club success factors	Other staff
		Profits
		Long term sustainability
		Premierships
		Finals participation
	Board self evaluation	Member satisfaction
		Formal
		Informal
		None

Source: Foreman (Hamil, 1999; Mosley, 2001)

## Appendix I: Excerpt from Interview with Association President with Coding

<p><b>S: What changes have you seen over that time?</b></p> <p>A2: In 1992 we had a cottage, a little building, it used to be a tennis pavilion as there used to be tennis courts. The 1920s they opened up and in 1965 the netball association took over on a lease off the council and there was a little cottage and that was it. We lived with that for years, and then we decided we had to do something. This is stage one of our building we built the stadium which is the second part and now we have this third part going.</p>	HRM-C/F
<p><b>S: It's huge.</b></p> <p>A2: Yes, four indoor courts. Hobart needed it. Hobart has nothing like that. It's multi-purpose, we have the Hobart Chargers basketball team here so we have another bank of seating going into the main stadium it's all part of this new development with retractable backboards so that will be easier for them. We used to have these monsters that we wheeled out every Friday night for the Chargers. The first amount of money we got to do anything with savings and all the rest was a Commonwealth Government grant of \$250,000.</p>	BOP-B/F
<p><b>S: Commonwealth, that was good.</b></p> <p>A2: Yes, fortunately then, my husband (who was not then my husband) was a senator in the Labour Govt at that time and was instrumental in getting that. That kicked us off and then we borrowed something like \$500,000, and borrowed again to build that stadium. We did lots and lots of lobbying.</p>	BOP-R/SH BOP-B/F
<p><b>S: So you're good at lobbying are you?</b></p> <p>A2: Have to be. Hobart City Council had to go guarantor for the first loan because we were on council land. It was freehold land; the council bought the land from the government, so had to go guarantor.</p>	BOP-R/SH
<p><b>S: You would have had to persuade them there.</b></p> <p>A2: That took a fair bit. And the second time around they dithered around, we were ready to go with the stadium and they dithered. In the end we got a petition signed because if it gets held up through finance committee... It had to go to finance committee and then to council for recommendation like that. Alternate to that you can get a petition with X number of signatures which we did on a week and a weekend, and we had enough, 1,000 signatures, to get it tabled at council level. Consequently got that guarantor. I suppose we have fought every bit of the way. To get the seats, when we had the stadium plans... The Chargers basketball team are on the national scene a bit, not the top level but the second one down. They used to play at Kingborough and Moonah, but at Kingston stadium they couldn't get people to go down there – that thing with the Outlet. They were interested in coming here but we needed to have seating and we had none and we had no money. So we approached the State Government. I still remember standing outside in Murray St saying to John, on the building committee, what are we going to do? Are we just going to say we'll get the seats in and get the Chargers as we need an alternate source of revenue because you can't rely on your own sport, you have to fund a big project. We decided that we'd either end up in jail as we committed money that we didn't have, or it would be a goer. So we put the seating in, got the Chargers and in June of that year the government did come good and they gave us \$100,000 towards the seating because that's about \$140,000, that retractable seating. We sort of went from there. That got to that stage and then to have a nationally accredited venue for netball, that means to run what would have currently been the CBT competition or anything like that, or even to run Nationals 17's and 18's, you need 2 courts – a show court and a warm-up court. We didn't have a warm-up court, so we needed to build on. And then in 1993, Paul Lennon was the minister for sport, at a dinner, a TNL dinner which was the State League, he said the government wanted to do something for netball. So he called our governing body, our state body, called all the presidents together and said what do you want, what are your wish lists. So we put our wish lists in – obviously mine was the new stadium.</p>	BOP-R/SH BOP-B/F  BOP-B/F Need alternate source of revenue. Recognised legal aspect. BOP-R/SH Funder BOP-R/S State funding probs

## Appendix J: List of Archival Data

Sport	Document
Netball Australia	Annual Report 2009
Netball Australia	Annual Report 2008
Netball Australia	Annual Report 2007
Netball Australia	Annual Report 2006 & By Laws
Netball Australia	Annual Report 2005
Netball Australia	Annual Report 2004
Netball Australia	Constitution 2006
Netball Australia	Constitution 2008
Netball Australia	Constitution 2009
Tasmanian Netball Assoc	Annual Report 2007
Tasmanian Netball Assoc	Business Plan 2006
Tasmanian Netball Assoc	Rules & By Laws 2004
Tasmanian Netball Assoc	By Laws 2001
Southern Tasmanian Netball Assoc	Annual Report 2009
Southern Tasmanian Netball Assoc	Annual Report 2006
Southern Tasmanian Netball Assoc	Newsletter August 2007
Football Federation Australia	Constitution 2007
Football Federation Australia	National Football Development Plan
Football Federation Tasmania	Strategic Plan 2009-2013
Football Federation Tasmania	Service Charter (undated)
Football Federation Tasmania	Annual Report 2006
Football Federation Tasmania	Constitution 2009
Football Federation Tasmania	Annual Report 2009
Football Federation Tasmania	Financial Report 2009
Football Federation Tasmania	Annual Report 2007
Soccer Tasmania	Strategic Plan 2004-2008
Soccer Tasmania	Constitution 2004
Soccer Tasmania	By-Laws 2005
Kingborough Lions United Soccer Club	Constitution
Touch Football Australia	Annual Report 2007/08
Touch Football Australia	Annual Report 2006/07
Touch Football Australia	Strategic Plan 2008-2010
Touch Football Australia	Constitution amended 2007
Southern Touch	Constitution 2007
Southern Touch	Annual Report 2006/07
Southern Touch	Annual Report 2005/06
Southern Touch	Annual Report 2004/05
Surf Life Saving Tasmania	Constitution - Regulations 2007
Surf Life Saving Tasmania	Constitution - Rules 2007
Surf Life Saving Tasmania	Strategic Direction & Business Plan 2006-09
Surf Life Saving Tasmania	Annual Report 2007-8
Surf Life Saving Tasmania	Annual Report 2007-8
Surf Life Saving Australia	Annual Report 2006-7
Surf Life Saving Australia	Annual Report 2005-6
Surf Life Saving Australia	Constitution 2005